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*Defining the Japanese Challenge*

# Target Japan as America's Economic Foe

by Edward Olsen

The cold war is over; all agree on that. Everyone also agrees that the Soviet Union lost the cold war. Most Americans think the United States won the cold war, but that opinion is arguable. Many Japanese believe their own country will prove to be the real victor. The reason is that Japan pursues the fruits of victory, while the United States remains hobbled by a cold war mindset.

Specifically, Washington remains intent upon refurbishing anachronistic alliances, fighting other peoples' wars, putting a new veneer on outdated American institutions, and pouring old policy expertise into new bottles. None of this is appropriate for the post-cold war years that lie ahead. Just as Moscow devised perestroika to address its external challenge, so too should Washington create an American equivalent of perestroika to meet the challenges of the post-cold war period. Perhaps surprisingly, this can best be done by redefining U.S.-Japan relations, drawing on a zero-based reassessment of existing ties.

The United States today faces three fundamental problems — two international, one domestic — and all three are linked to Japan's evolving role in world affairs. First, on the international front, Washington must develop an organizational theme capable of coping strategically with the post-cold war era. Second, also on the global level, America must adjust to Japan's mounting economic challenge for world leadership. Third, on the domestic front, Americans have a pressing need to revitalize American competitiveness by strengthening the United States's physical, economic, and social infrastructure.

The domestic nature of this third front cannot be overemphasized. The United States cannot solve its domestic problems at the expense of foreign competitors; Americans must solve their own problems. At the same time, however, the United States must come to grips with the scope of its economic competition and the ways in which its competitors hamper the United States's ability to enhance domestic productivity.

## Japan as the Focus

One popular school of thought perceives the United States as a lonely giant in world affairs — a giant that prevailed against communism, that could

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now vanquish any potential military threat, and that possesses such a diverse array of national assets that it need not fear challenges from new unidimensional (particularly economic) rivals in Europe or Asia.[1] Such a view of the United States is remarkably shortsighted. Indeed, it has already been undermined by America's mendicant approach to burden sharing during the Gulf war, and thus it is discounted in this analysis. No single country can dominate world politics, because any one country's power must be measured against the separate and aggregate claims to international stature of all other countries.[2] In any event, nothing in the wishful notion of American supremacy addresses persuasively the three daunting issues confronting the United States today.

As the Bush administration struggles with the three issues mentioned above, critics charge correctly that it wants vision. Washington lacks a grand strategy for the country, which could address all three of the principal issues the country faces, and could handle the many corollaries that complicate these issues. President Bush's "new world order" is, at best, recycled Wilsonian internationalism, guided by the president's evident attachment for the legacy of a Stimsonian leadership style, and ironically echoing the 1988 Dukakis campaign's much maligned internationalist idealism. At worst, it is a shallow defense of the status quo designed to keep a lid on events and preserve some semblance of a balance of power in world affairs. In either case, it lacks the appeal of an organizing principle.

One can easily find the basis for such a grand design, however. Were the United States to target Japan in a non-hostile fashion, as the focus of the three key problems mentioned above, Washington could address those issues in a unified way.

To be specific, Washington should face the post-cold war era directly, reconsider who its adversary is (and why), and then revise its antiquated national security structures, designed for the cold war, to make them more appropriate for the coming years. In this way, Americans could simultaneously shift national resources away from the Soviet military threat and toward economic threats; cope with the specific challenge posed by Japan; and minimize the domestic obstacles to improved competitiveness. Such a tripartite response is essential because it underscores the reality that American economic problems are primarily domestic, not the fault of Japan or any other foreign rival.

Some Americans (for example, the many who are buying George Friedman's *The Coming War With Japan*[3]) think Japan may be an ideal candidate to replace the Soviet Union as a comprehensive threat. For those enam-

[1] The best examples are rebuttals to the "declinist" school by Henry R. Nau, *The Myth of America's Decline: Leading the World Economy into the 1990s* (Oxford: Oxford University Press, 1990); and Joseph Nye, *Bound To Lead: The Changing Nature of American Power* (New York: Basic Books, 1990); and an argument in favor of American unipolar hegemonism by Charles Krauthammer, "The Lonely Superpower," *The New Republic*, July 29, 1991, pp. 23-27.

[2] For an evaluation of the relativity of power, see Arnold Wolfers, *Discord & Collaboration: Essays on International Politics* (Baltimore, Md.: Johns Hopkins University Press, 1962).

[3] George Friedman, *The Coming War With Japan* (New York: St. Martin's Press, 1991).



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ored of the status quo, this would enable the United States to perpetuate the national institutions developed during the cold war to cope with a full-fledged potential enemy. And, in a peculiar way, the perspective does make some sense. Despite Japan's generally friendly relations with the United States, it is the United States's largest single economic rival; someday, its economic potential could be translated into serious military power that could endanger U.S. interests. In this way, one could join ranks with Marine General Henry C. Stackpole and visualize an American interest in keeping Japan on a short leash.[4] This strategy would amount to a preemptive neo-cold war policy toward Japan, precluding it from ever becoming a new Soviet-style threat. Many Asians who fear Japan's well-known expansionist potential would welcome a subtle American containment policy toward Japan. But, despite its offbeat appeal, the option is a non-starter. Japan is not now, nor is it likely to become again, the kind of well-rounded enemy it once was, or that the Soviet Union was during the cold war.

**Washington should reconsider who its adversary is and then revise its national security structures to make them more appropriate for the coming years.**

Those who argue for casting Japan into such a role are either grossly misinformed about Japan, or are far too cynical about the United States's alleged need for a demon to sustain a national security state. Nonetheless, the kind of challenge that Japan (along with several other economic competitors) poses to the United States is all too real. This is the challenge discussed in the unclassified, but much ballyhooed scholars' report to the CIA, *Japan: 2000*, leaked to the media in early 1991. That widely criticized draft analysis of Japan's quest for "unequivocal economic dominance of the world" is, on balance, more accurate than not. Its perceptions and prescriptions should be considered a watershed in U.S.-Japan relations.

In this context, it is crucial that Americans rethink the scope of the word "threat" as they contemplate the notion of threat perceptions in the United States's post-cold war policies. Reference in this analysis has been made to Japan's "challenge" to the United States rather than its threat. Since Japan is unlikely ever again to become a full-fledged threat to U.S. interests, why should its challenge be encompassed within American threat perceptions? The answer has two components. At the broadest level, Japan's legitimate pursuit of economic prosperity has been so successful that it has transformed the nature of the economic rivalry between the United States and Japan. Led by Japan's quest for economic leadership of the world, that rivalry is a direct challenge to post-

[4] Major General Henry C. Stackpole III (U.S.M.C.) was quoted in *The Washington Post*, March 27, 1990, as saying "No one wants a rearmed, resurgent Japan. . . . So we are a cap in the bottle, if you will."



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cold war U.S. interests, defined in less militarized terms. This broad level of analysis is sufficient to focus a new magnitude of attention on Japan.

Equally important, if much less noticed in the Western world, is the challenge posed by Japan through its mode of competition. Japan's societal structures, double standards in terms of economic and security reciprocity, and peculiarly diffuse decision-making style give Japan de facto leadership of an Asian economic bloc that is particularly formidable for the United States. As Americans try to cope with the challenges emanating from this quarter, the United States must reevaluate the nature of the threats it faces and devise means to deal with them. As Americans do so, however, they must be careful — like the authors of *Japan: 2000* — not to demonize Japan.[5]

While profoundly different from the threat posed during the cold war, the Japanese challenge calls for U.S. international efforts on a scale comparable to those devoted to the Soviet Union from the 1940s to the 1980s. And concentrating on the Japanese challenge is a legitimate way to rally American enthusiasm for an essential domestic and international agenda.

**Checkered History of Ties**

U.S.-Japan relations have a long and mixed history. Begun in the mid-nineteenth century by American intervention into Japan's self-imposed isolation, they rapidly blossomed in the late 1800s into cooperation between two very different states and peoples. The rise of American imperialism and Imperial Japanese militarism in the late nineteenth century injected geopolitical rivalry into the relationship and put the two countries on a collision course that forged the Pacific theater of the Second World War. Despite the legacy of that bitter war, Americans and Japanese transformed the bilateral relationship throughout the postwar years into one of seemingly great harmony. Officials in both countries today extol the mutual benefits of U.S.-Japan ties in political, economic, and security affairs. Washington and Tokyo are reluctant to do anything that might jeopardize this apparent harmony.

As Americans commemorated the fiftieth anniversary of Pearl Harbor, however, many reconsidered the aftermath of that distant war, the consequences of a half-century of American-Japanese interaction, and the prospects for future U.S.-Japan relations. Of one thing there can be no doubt: the Rising Sun once again casts a very long shadow across America. To many Americans it is an ominous shadow.

Far less noticed, but nonetheless important, has been the role Japan's economic challenge to the United States and other Western countries played in bringing about the Soviet Union's failure to prevail in the cold war. Moscow's inability to cope with the West was compounded by its recognition that the

[5] *Japan: 2000* (Rochester, N.Y.: Rochester Institute of Technology), draft version, February 11, 1991. For a harsh critique of that assessment, see Bruce Cumings, "C.I.A.'s Japan 2000 Caper," *The Nation*, September 30, 1991.



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extended West included not only traditional Euro-American portions but, increasingly, advanced economies of Asia, led by Japan.

Consequently, the end of the cold war involves far more than a geopolitical victory of one camp over another; it also entails a dramatic restructuring of the capitalist economic order precipitated by a Japan-led, Asian challenge. This is seen most clearly in the growth of European and North American trading blocs capable of coping with, and resisting, the challenge from Asia. It is, therefore, entirely appropriate that the United States emphasize its ability to cope with Japan as the centerpiece of an approach to the three key problems it confronts.

The United States is faced with a delicate task: how to transform cold-war era relations with a friendly state into post-cold war relations with that same state in ways that stress adversarial economic facets, without fomenting militarily hostile relations. But, whatever difficulties the situation poses, they should not obfuscate the reality that Japan is the key challenger to American leadership and should be treated that way.

**Common Security Interests?**

U.S. national security interests and Japanese national security interests are often described as "common" by Washington and Tokyo. This is a major exaggeration. Japan never has been a genuine security partner for the United States. From its beginning in the 1950s, the U.S.-Japan security relationship has been a one-sided affair: Americans commit themselves to collective security, while Japanese are reluctant to defend anything, including Japan. Japanese expect Americans to do that job, with Japanese assistance. Neither Tokyo nor the Japanese people, as demonstrated in official policy and opinion polls, show genuine readiness to defend the United States or the positions it stands for in the world.

American and Japanese approaches to national security are on dramatically different wavelengths. The United States and Japan do not share truly common security interests. Americans, perhaps naively, are committed liberal internationalists; their patriotism is a form of globalism far beyond actual defense of the *patria*. With this perspective, they stand ready to uphold a self-imposed patriotic duty worldwide. Such a global mission — with overtones of *noblesse oblige* — has become a moral crusade for many Americans, impelling them toward very broad security perspectives that warrant their involvement in other countries' affairs. None of this appeals to most Japanese. They may be patriots in the narrow and original sense of that word, the sense that has been eclipsed by internationalism in the United States, but they are not prepared to defend a wider world.

Japan is not ready to commit itself to anything beyond parochial national interests, which it defines in overwhelmingly non-military terms. Tokyo prefers to leave the physical facets of national defense to Americans, who can be paid to do the job. Moreover, its self-defense commitment at the national level is extraordinarily cautious and narrowly focused on economic issues.



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Tokyo is, of course, more than pleased that Americans have been so enthusiastic about defending Japan, upholding the old-fashioned Japanese regional geopolitical interests in Asia that Tokyo now disdains, and — during the Gulf War — actually fighting to help assure the flow of oil to Japan. The key question Americans should ask themselves is: "How long are we prepared to be loyal allies of Japan and act as volunteer Hessians serving Japanese interests, without demanding genuine military reciprocity?" Clearly, this role has worn thin.

**"How long are Americans prepared to be volunteer Hessians serving Japanese interests?"**

Yet the Japanese have a perfect right to demur or abstain in matters where Japan has had no role in formulating the agenda. They can well use the argument of "no taxation without representation." They are correct to feel that Americans should stop pressuring Japan to do what it does not want to do. Former cabinet minister Shintaro Ishihara is justified when he exhorts his countrymen to "say no" to Americans who push Japan in directions it does not want to go.[6] Likewise, Americans will not be content to have the Japanese act mainly as bankers, cheerleaders, or suppliers of technology for American forces.

There is nothing radical about America's seeking fairness and equality in the burdens of world leadership, as advocated in this author's *U.S.-Japan Strategic Reciprocity*, despite Japanese comments.[7] Americans have ample reason to complain about Japanese cheap-riding on defense that is a de facto U.S. subsidy for Japanese economic competitiveness. For decades the United States has borne the brunt of defense costs in Asia that served Japanese interests at least as much as those of the United States, while Tokyo used monies it did not have to spend on defense to enhance its economic competitiveness. From the perspective of the collective security rationale, Americans also have ample reason to consider Japan an unreliable partner in a prospective new post-cold war world order. American willingness to lay the lives of U.S. forces on the line for the sake of global security stands in stark contrast to Japanese self-centered behavior.

Into the midst of this situation a disruptive factor was interjected in 1990 from a totally unexpected quarter. As part of the effort to rally allies against Saddam Husayn's aggression, Washington exerted enormous pressure on Japan to pay its fair share financially and to contribute at least token manpower to the Persian Gulf effort. Tokyo's responses were half-hearted, at best. Repeated arm-twisting grudgingly extracted considerable financial support from Tokyo. Far less materialized in terms of manpower. After a great show of national

[6] Shintaro Ishihara and Akio Morita. *"No" to ieru nihon* (Tokyo: Kobunsha, 1989).

[7] Typified by the remarks of a prominent journalist, Susumu Awanohara, *The Burden-Sharing Issues in U.S.-Japan Security Relations: A Perspective from Japan* (Honolulu, Hawaii: East-West Center, International Relations Program), Occasional Paper No. 2, March 1990, p. 8.



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hand-wringing, Tokyo contributed absolutely nothing during the war other than a commitment to help pay the bills after it was over. To its credit, Tokyo met that commitment, which totaled $13 billion.

But, while Americans risked life and limb, not one drop of Japanese blood was at risk in the Persian Gulf War. There was no need for it, from Japan's perspective, since Americans stood ready to do the job. Only after Iraq was defeated did Tokyo dispatch token minesweeping forces to the Gulf. None of this surprised those Americans who long have criticized Japan as an inadequate ally. In fact, Japan's sorry performance confirmed that criticism, and caused apologists for Japan's defense posture to take cover. In a perverse way, therefore, this failure to induce Japan to behave as a full partner was very positive because — for the first time — it called widespread popular attention in the United States to Japan's dismal inaction as an ally. Tokyo's cautious acceptance in 1992 of a small role in U.N. peacekeeping operations does not significantly change the bilateral situation.

One cannot cast the blame on the Japanese for this state of affairs. Americans must blame themselves for being in this bind, but they do not need to perpetuate these inequalities. One can only hope that a day of reckoning will soon come, now that the Gulf War has been resolved, as the American public's attention refocuses on the lack of enthusiasm displayed by Japanese leaders and masses for joining in the coalition cause.

Such empathy for, and harsh criticism of, Japan may seem irreconcilable, but it is not. Valid American complaints are matched by equally valid Japanese desires not to be coerced into sanctioning and paying for policies not of their making. American political arm-twisting and brow-beating, compounded by implied economic threats, long have grated on the Japanese, who resent such heavy-handed *gaiatsu* (outside pressure). Many Americans also have felt uncomfortable when playing the heavy in bilateral relations.

**Three Options**

Americans today face three basic strategic options vis-à-vis Japan. We can avoid any major change and let Japan continue to enjoy disproportionate benefits indefinitely. Washington appears content to retain this approach, appreciating marginal improvements in Tokyo's cooperativeness. Many Americans favor this option as well, either because they believe Japan performs invaluable non-military services for the United States; because they fear that the United States is too dependent on Japanese funds or technology to risk alienating Japan; or because they believe Japan must be kept on an American strategic leash to keep it from endangering world peace. None of these arguments is persuasive. On balance, this status quo option scarcely serves U.S. interests and it should be rejected.

Secondly, Americans could play hardball in our *gaiatsu* policies, encouraging far greater Japanese security cooperation than Tokyo has been willing to entertain to date. While preferable to letting Japan perpetuate existing inequalities, the range of consequences attendant to this option is highly uncer-



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tain. If pushed frequently, Japan may become America's indispensable financier and provider of high-tech equipment, but should Americans voluntarily seek such vulnerability? This is precisely what the United States now pursues, in the guise of a partnership. Interdependence of that sort could become more thoroughgoing. Is it not better to wean the United States from such debilitating dependence?

Japan also could be molded into a reluctant military surrogate for the United States in Asia, but only by risking that someday, when Japan is far stronger, Tokyo will jettison the geopolitical constraints of surrogacy and use its economic and military capabilities for its own oft-shown purposes. Had the cold war not ended, one could also visualize the sort of truly close and reciprocal

**It may be time to recognize candidly that the United States and Japan have few security interests in common.**

burden sharing advocated in *U.S.-Japan Strategic Reciprocity*, but the end of the cold war obviates the need for such close ties. If Americans force Japan into a seemingly more equal but ultimately unwilling partnership against an ephemeral enemy, it will likely remain unenthusiastic, restive, and of little genuine value. It could also become dangerous to its neighbors and to world peace. This is no more desirable than American dependence upon Japan.

The last thing the United States should do is perpetuate the existing security relationship with Japan. Rather, a third option is needed. American officials collectively should suck in their breath in a verbal display of Japanese-style reluctance, and welcome those Japanese who can say "no" with Americans who can say *muzukashii* (literally "difficult," but colloquially "no can do").

Once Americans distance themselves from unnecessary, outdated, security entanglements with Japan, they will find it far easier to treat that rival country as the key challenger it is. It may be time to stop trying to share burdens, recognize candidly that the United States and Japan have few security interests in common, and work toward an amicable parting of the ways militarily. The overrated and largely anachronistic U.S.-Japan Security Treaty should be allowed to languish and die out, part of America's phased adjustment to a post-cold war world. It could, and should, be replaced either by a more equitable treaty calling for genuine security reciprocity, or by a treaty-less bilateral alignment relationship that would clarify the ways in which U.S. and Japanese security interests differ. Since there is no longer an enemy that warrants the former, the latter is preferable.

This is not to suggest that the United States and Japan should become military adversaries. On the contrary, post-cold war U.S.-Japan relations would be healthier and more manageable were they not conducted under the cloud of mutual acrimony and resentment stimulated by pursuit of different security world views. It also would serve U.S. interests if Japan's future security policies and actions, especially in the Asia-Pacific region, were not camouflaged by an



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American buffer. The best way to achieve those ends is to inaugurate a new era in U.S.-Japan relations that is not hamstrung by the existing security treaty.

**New Tools for a New Problem**

To make Japan into a military threat in order to sustain the old system would be entirely wrong. It would be a prime example of the old saying, "If one only knows how to use a hammer, then all repairs can be made by using a hammer." Americans need an entirely new box of tools, one which contains, in addition to the military hammer modified for a less dangerous strategic environment, many more sophisticated instruments of power. The fundamentally new national economic security challenge posed to the United States by Japan cannot be handled by using a hammer made to repair problems caused by the cold war's Soviet threat.

Washington should adopt a version of what Tokyo calls "comprehensive security." That doctrine emphasizes that linkages exist among security, economics, and politics. Were the United States to deemphasize military facets of security, elevate their economic counterparts, and view them both in terms of political trade-offs, Washington would be far better prepared to cope with the new challenges that confront Americans. In a terrible commentary on what the national security state has yielded, many around the world think that the United States's best known export in the late twentieth century is war and the means to wage it. To be sure, the United States produces far more than the instruments of war, but Americans suffer from a false image abroad as militaristic, war-mongering, and hegemonistic. As much as Americans may disavow this reputation, the image has a pervasive and persuasive impact. This is no way to perform at any time, much less in the dramatically less hostile circumstances of the post-cold war era. Now that the cold war is over and the United States faces fewer and lesser military threats, Washington should cease doing those things that provoke such negative images. The United States must focus, instead, on the peaceful economic facets of its international relations and scale back those foreign military entanglements that are unnecessary in the post-cold war milieu. Some involvement no doubt will remain essential, notably — but not limited to — coping with nuclear threats. However, there are many issues that no longer matter as much now the cold war is history.

**Economics First**

All of the existing national security structures of the U.S. government were the product of a specific early cold war threat environment. They served their purpose and should be succeeded by agencies designed for the new challenges. Now that the West has won the cold war, the American people deserve appropriate new organizational structures that will enable their victorious government to get on with the task of addressing the challenges the country confronts.

Thus, Washington needs to reconstruct and redirect the organizational framework and personnel requirements that stemmed from National Security



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Council decision memorandum 68 (NSC-68), which called on the United States to assume responsibility for the security of the free world. In particular, a zero-based appraisal of post-cold war threats stemming from economic rivalry should be undertaken. To avoid recycling old systems and tired personnel, a new planning document is required, one that would, like NSC-68, set an agenda for the new era. At the same time, policy makers should undertake a fundamental reappraisal of the Defense Department, the intelligence community, various domestic economic agencies, and the ways the State Department and National Security Council coordinate the entire complex. The external challenges confronting the United States, and the domestic structural response Americans need to make, should be the central organizing theme for the United States in the new era.

Specifically, the United States urgently needs to adopt an economics-first set of policies for foreign affairs, national security, and domestic competitiveness. The national security state's institutions are equally in need of change, and should be replaced with economics-oriented counterparts. The Department of Defense should be reorganized into a Department of National Security that would have a dual mission: military defense and economic security. On the military side of the house, the uniformed military should expect to receive priority only in times of war or in their preparations for war and deterrence. In peacetime, the military side of the proposed Department of National Security should recognize that economic priorities must take precedence for true national security to prevail. In other words, the flag must follow trade and investment, and military leverage should be used to maximize economic advantages. Thus, instead of accepting economic costs in exchange for strategic advantages (such as unfair treaty arrangements and offsets that rankle American commercial sensibilities), a new style of offset should be pursued in which those who benefit from American strategic largesse should pay a price that helps U.S. competitiveness.

Similarly, the CIA should be restructured so that its existing economic intelligence functions are transformed into a semi-governmental organization capable of sanitizing classified governmental data and analysis, and transmitting it to the private, corporate sector in ways that enhance American competitiveness. In fact, this proposed semi-privatized intelligence agency might well be directly funded by the private sector and guided by a business-oriented board of advisors.

**New Expertise for New Times**

In the radically altered context the United States confronts, the new economics-oriented agencies should be staffed by personnel who can deal with the new challenges, particularly as they emanate from Japan. The cold war years were dominated by a retinue of experts coping with the Soviet Union and its agents. The end of that era should precipitate a drastic changing of the guard, which will increase dramatically the proportion of new experts and new forms of expertise.



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In the 1970s, I.M. Destler noted that Japan policy had become too important for the United States to leave in the hands of Japan experts.[8] Its escalation to the level of national importance meant that it had to be elevated bureaucratically, so that it could be dealt with by cabinet or sub-cabinet level people, capable of making decisions that reflected the broader perspectives required. That, in turn, meant Japan was dealt with by people who had earned their positions by being experts in cold war era issues, for national leaders were, by definition, experts in Soviet affairs, European affairs, or functional experts (defense, trade, finance, and so forth) whose backgrounds were overwhelmingly Atlanticist. Only rarely were Asianists, such as Dean Rusk, admitted to the club of high decision makers, and then they had to prove their breadth and soundness by accepting the establishment priorities of the day.

The time has come to break away from this intense focus on European and Soviet affairs.[9] The post-cold war era's key challenges from Japan (and the so-called "new Japans") now require that national decision making be thoroughly leavened with expertise regarding Japan, for Japan has now become too important to national policy making to be left to American policy makers who know little, nothing, or could care less about it. A combination of Asianists and functional experts in trade, investment, defense, science, and technology who are very familiar with the Asian challenge needs to be infused broadly into the ranks of U.S. leadership. As quickly as possible, they should become a sizeable proportion of senior decision makers in the same way that their Soviet- and European-oriented counterparts have been for nearly half a century. These are the people best qualified to deal with post-cold war conditions in Asia, conditions that require Americans to jettison their anachronistic commitments to cold war vintage allies who now pose the key challenge to American prosperity.

Such a shift would be complicated by internal splits over which type of Asia expertise would be most desirable. An enormous gap exists between American specialists in Asian affairs who are considered to be unduly sympathetic to Japan (labeled the "Chrysanthemum Club") and those who are harshly critical of Japan, generally labeled "revisionists" or "Japan-bashers." Indeed, this gap among U.S. Japanologists threatens to engulf the United States in another round of McCarthy-era charges and countercharges, if it is not preempted.[10] For example, members of the so-called "Japan basher" group, including this author, reject that label because of its racist overtones and because they are equally critical of the United States.

Nevertheless, an undeniable split prevails and it is most evident in the advice proffered to Washington on U.S. relations with Japan. Japanologists

[8] I.M. Destler, "Country Expertise and U.S. Foreign Policymaking: The Case of Japan," in Morton A. Kaplan and Kinhide Mushakoji, eds., *Japan, America and the Future World Order* (New York: Free Press, 1976).

[9] For an overview of the Department of Defense's post-cold war national security strategy and its creation, see James J. Tritten and Paul Stockton, eds., *Reconstituting Defense: Problems in the New U.S. National Security Strategy* (New York: Praeger Publishers, 1992).

[10] John Creighton Campbell, "Japan Bashing: A New McCarthyism?" in *The Japan Foundation Newsletter*, March 1991, pp. 1-5.



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prod American policy makers simultaneously from two directions. One large group, representing the establishment, counsels caution and restraint so that stable and mutually beneficial relations are not jeopardized. Another group of political economy and security critics, smaller but increasingly influential, urges more precipitous actions designed to inject genuine mutuality into a relationship that they see as unduly beneficial for Japan and totally unfair to the United States.

What are U.S. policy makers and the American people then to make of such conflicting advice from two groups of well-qualified Japan experts? Are Chrysanthemum Club members really (as they see themselves) prudent centrists whose balanced guidance prevents a disastrous rupture in U.S.-Japan relations? Or are they — as the critics contend — victims of localitis? Are they (still worse) suffering from clientitis, having permitted their personal financial interests in enhancing Japan-U.S. harmony to weaken their objectivity about U.S. interests in Japan? Putting it bluntly, have they sold out to Japan at the expense of U.S. interests?[11]

Conversely, are revisionist critics really the insightful, tough-minded pragmatists they claim to be, pursuing policies that would improve U.S.-Japan ties — and the United States's position in the world — by establishing a more stable foundation based on equitable treatment of each other? Or, are they the dangerous people the Chrysanthemum Clubbers perceive: people recklessly advocating retaliatory get-tough policies that could undermine the arduously built foundation for successful U.S.-Japan ties? Putting it bluntly again, are the revisionist critics "Japan-bashers" who appeal to the base, often racist, emotions of some xenophobic Americans?

As emotions mount, this split among Japan experts in the United States has reached rancorous proportions. It could hardly be otherwise, as each side berates the other's wisdom, expertise, ethics, and patriotism. Resolving this split is mandatory, if Japan expertise is to be tapped for national policy making in the post-cold war era.

On balance, U.S. interests will be served best if the resolution strongly favors the revisionists. They should be considered the vanguard of the new experts who are fully capable of providing the sort of national leadership so essential if the United States is to cope with Japan's central challenge during the post-cold war years. This cadre of experts should be tapped to replace the corps of cold warriors, whose talents have been so graphically overtaken by events.

## The Way Forward

The United States is the only superpower to survive the cold war intact. But that should not delude Americans into thinking their country is qualified to

[11] For a candid appraisal of the dangers of using such expertise, see Pat Choate, *Agents of Influence* (New York: Random House, 1990).



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wage the struggle it now confronts. Washington should not allow itself to be distracted by remnants of the cold war or preoccupied with anachronistic obligations. The United States must not try to use the old military and ideological weaponry that won the cold war to fight the war-surrogate it now confronts. Marxism-Leninism always had within it the seeds of its eventual defeat, and most Americans knew that. Victory in that contest was relatively easy and almost foreordained for those patient enough to wait for communism's inevitable collapse.

In the newly important economic struggle against Japan, the risks may be greater because Americans are not so confident that the American way is sufficient to overcome the challenge from Japan. Fortunately, this new struggle is not a zero-sum contest. Win-win deterrence is possible, perhaps probable. America can hold its own, and may well remain preeminent, in the era before it, but only if it treats economic rivalries with the utmost seriousness.

Elevating the Japanese challenge to an organizing theme for the post-cold war years makes it more prominent, but does not automatically provide answers. Even relying upon revisionist experts, rather than individuals known to be highly sympathetic to Japan, does not provide ready-made answers. Revisionists may share a common set of goals vis-à-vis the Japanese challenge, but they differ concerning the desirability of a national industrial policy versus free trade. While the industrial-policy wing of Japan revisionists has an important rhetorical edge in that debate, because of their ability to argue that the United States should "fight fire with fire," the other wing has some logical assets and can emphasize playing to American economic strengths rather than adopting Japanese-style rules.[12]

The choice between these options will make a difference, because the economic struggle with Japan must be won on the home front (to continue the military metaphors to which Americans have grown so accustomed). The challenge from Japan can best be addressed by Americans who use it as a focus of their patriotic economic nationalism. That theme should become a rallying cry to spark the rebirth of American economic confidence and competitiveness worldwide.

[12] James Fallows, *More Like Us: An American Plan for American Recovery* (Boston, Mass.: Houghton-Mifflin, 1989).



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*Defining the Japanese Challenge*

# Japan's Prosperity is Not a Danger

by Edward Hudgins

Following the cold war, the United States has three fundamental needs, says Edward A. Olsen: to adopt a clear strategic vision, to revitalize its economy, and to meet Japan's "challenge for world leadership." No argument on the first two, but how does the third so-called need arise? The oddest thing about Olsen's essay is that we never really find out.

**The Argument**

Olsen speaks of "Japan's challenge to U.S. leadership," "Japan's central adversarial role in the post-cold war struggle for global economic power," and "Japan's quest for 'unequivocal economic dominance of the world.'" But what sort of challenge, adversarial role, and dominance is this?

It is not military, Olsen makes clear. He refers to those who "think Japan may be an ideal military candidate upon which the United States's new world order should focus its animus." But he rejects the idea. "Japan is not now, nor is it likely to again become, the kind of well-rounded enemy it once was, like the Soviet Union during the cold war."

Of course, one may say Japan is an economic enemy, but what does that mean? One can say "it is crucial that Americans rethink the scope of the word 'threat'," but as Olsen himself asks: "Why should [Japan] be encompassed within American threat perceptions?"

Here we come to the crux of Olsen's argument. The answer to his question, he says, "has two components." This is the first:

> Japan's legitimate pursuit of economic prosperity has been so successful that it has transformed the nature of the economic rivalry between the United States and Japan. Led by Japan's quest for economic leadership of the world, that rivalry is a direct challenge to post-cold war U.S. interests, defined in less militarized terms.

The meaning of this transformed rivalry and direct challenge is anything but clear. How does Japan's prosperity constitute a threat to America? What is the positive danger to certain unspecified "less militarized" American interests?

The second component of the Japanese danger, Olsen sets down as follows:

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Japan's societal structures, double standards in terms of economic and security reciprocity, and peculiarly diffuse decision-making style give Japan de facto leadership of an Asian economic bloc that is particularly formidable for the United States.

This seems clearer: certain cultural factors, as well as certain political-economic methods, give the Japanese an economic edge over Americans when dealing with other Asian countries. As a result, replacing the United States as an economic leader will be easier in Asia than elsewhere. But if this is how we are meant to read the second component of Japan's threat, then it would appear to be an aspect of the first danger, or a step toward it, not a separate component of the threat. That is to say, Olsen appears to be arguing that Japan's ability to secure economic leadership in Asia is a threat because it would facilitate Japan's drive for world economic leadership. In any event, no more is said about this second component of Japan's challenge or threat, and thus the whole thrust of Olsen's critique seems to be contained in his first point: Japan aims to be the world's most prosperous country.

To this, the proper response is: So what?

Olsen says that with the end of the Soviet threat, America must re-evaluate its international interests. Absolutely true. He observes that some analysts bring to this reevaluation, perhaps unconsciously, habits of mind built up over four decades of cold war. Right again. Indeed, more right than Olsen knows, for he is one analyst who retains such old habits of mind. Olsen writes that while the "United States cannot solve its domestic problems at the expense of foreign competitors," "the United States must come to grips with the scope of its economic competition and the ways in which its competitors hamper the United States's ability to enhance domestic productivity."

This appears to be the problem in Olsen's discussion of the United States's relationship to Japan in the post-cold war world. He seems to see international economic activities as parallel to the cold war's East-West military struggle: a conflict between countries in which the advantage of one is by definition the disadvantage of the other, a zero-sum game in which winners produce losers. But the economic relations between America and Japan are totally different from the American-Soviet cold war. In market economies, the prosperity of one actor fosters the prosperity of other actors: winners foster other winners, and comparisons of relative standing are of concern only to the envious.

Thus, Americans should define their economic interests in terms of ever-rising levels of real purchasing power, of maximum consumer choice, and of real employment opportunities, and should not worry that the Japanese may be doing better still.

None of this is to deny that both American and Japanese trade policies are flawed and harmful — harmful to Americans and Japanese alike. In that sense, the economic rivalry between the United States and Japan, as currently pursued, is a damaging one. But it is not a question of Japanese "double standards" as Olsen laments. In the first place, Japanese protectionism harms Japa-



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nese citizens as much as or more than it harms Americans. In the second place, during the 1980s, it was the United States, not Japan, that was erecting new trade barriers.

**Economics**

One can also add, however, that Olsen goes astray in his admiration of Japan. The country has done well since World War II, but not for the reasons Olsen intimates. It is significant, for instance, that Japan has a capital gains tax of only five percent, and that is of recent vintage. Thus, Japanese businesses are not penalized for moving capital from a less profitable to a more profitable investment. Moreover, Japan's banks do not labor under the sort of heavy regulatory burdens borne by their American counterparts. And while Japan has antitrust laws, they are not enforced in the strict and destructive manner that they are in the United States. Lastly, to take an often misunderstood case, it was the fierce competition between Japanese auto manufacturers and their attention to quality that were responsible for Japan's efficiency and export success in that field.

Yet what one hears from critics who envy Japan is not the superiority of its pro-free market policies, but the superiority of its interventionist policies. In fact, the effect of these interventionist policies has often been to leave the Japanese people in a far from admirable situation. The real purchasing power of the average Japanese is perhaps 40 percent below that of the average American. A Japanese worker spends 25 percent of his income on food, while an American pays only about 15 percent. The percent of income paid by the Japanese for rent is similarly above what Americans pay, and for smaller apartments and houses. As many as half of all Japanese dwellings do not have indoor flush toilets.

Some of these facts can be attributed to Japan's small land area, which is only four percent the size of the United States, though the United States has twice the population of Japan. Still, Japan's protectionist policies mean that rice is planted on land in cities that, if the market were allowed to operate freely, would hold apartment buildings. Comparable impoverishing effects can be traced to comparable interventions.

**Politics**

But if Olsen goes astray economically, it is when he turns to politics that his article becomes most truly disturbing. If Japan poses any danger to the United States, perhaps the greatest is that, through misreadings like Olsen's, America will be induced to inflict injuries on itself. Most ominous in this regard is Olsen's mention of defending America's international interests through a "national economic security council."

A national security council was and is an appropriate instrument for analyzing America's military enemies, because they do in fact pose a threat to national security. But trading partners do not pose a threat to national security. Thus, any attempt to analyze our relations with a trading partner through an



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"economic national security council" will have the immediate effect of proclaiming its non-threatening relation to be a threatening one, a highly provocative thing to do to a major trading partner. In short, an economic national security council is likely to be an anti-philosopher's stone, turning non-enemies into enemies.

More troubling still, the proposal for a national economic security state would have Americans adopt for themselves a characteristic that was central in defining America's enemies during the twentieth century: placing the state above the individual in economic matters. One cannot avoid the impression that Olsen's proposal is "fascism with a friendly face."

**What Olsen suggests amounts to a dictatorship of technocrats.**

I use the description with care: Those regimes which, in the 1920s and 1930s, were called corporatist or fascist placed a collective, usually designated the "state" or the "nation," above the individual. The purpose of government became, not protection of individual rights, but the protection and promotion of this collective entity. In such a regime, the government directed the economy as well as other sectors of society in the name of the state. Logically, corporatist governments allowed trade and commerce between their citizens and the citizens of other countries only as it was perceived to serve the nation. Specifically, the government could restrict the use of property by individuals and tell businesses how they must run; private property rights were nominal at best. Where classical liberals saw a world of individuals and businesses buying and selling freely, corporatists saw a world of governments ruling citizens in the name of national security.

Olsen does not hold such a view explicitly. But the regime he would establish seems to have these attributes at its base. For example, Olsen would reorganize the Department of Defense into a Department of National Security with the dual mission of directing military defense and economic security. He suggests that the CIA be given the job of "sanitizing classified governmental data and analysis, and transmitting it to the private, corporate sector in ways that enhance American competitiveness." And he suggests that "A combination of Asianists and functional experts in trade, investment, defense, science, and technology who are very familiar with the Asian challenge needs to be infused broadly into the ranks of U.S. leadership." What Olsen suggests amounts to a dictatorship of technocrats, a modern equivalent of Mussolini's Fascist Grand Council.

Such a plan would be bound to fail, because market phenomena are fundamentally different from, say, the phenomena in the physical realm that an engineer might attempt to understand in order to design a machine for a given purpose. Market phenomena are the sum of all the economic transactions by all individuals buying and selling with one another. Information concerning the



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costs of production of any given good or service is established and communicated only through market prices. When governments attempt to direct resources, they short-circuit the price mechanism. They literally blind themselves and are unable to compare the costs of producing various goods and services.

But that criticism assumes Olsen's technocratic plan could be put into practice. In actuality, his proposed economic national security state would almost certainly make its decisions on the basis of political power exercised by interest groups. This is today the way most crucial economic decisions are made in Washington, and public choice theory suggests it will continue to be the rule under interventionist regimes. One indication of who will make "national economic" decisions was seen in President Bush's Asian trip. He brought to Japan a plane-load of American business leaders, all from older, established industries struggling to stave off decline. The new dynamic entrepreneurs who create most jobs and new products in America did not make the trip. They are too busy running their businesses, and most have little political clout. Thus, most would likely find themselves on the losing end of "national economic security" decisions as older industries suck up subsidies and special favors.

**The Security Relationship**

None of this is to say that America's post-cold war security relationship with Japan should not be changed. It should. But when Olsen and others criticize Japan for "double standards" in the realm of "security reciprocity," they overlook the extent to which Washington has sought to restrict Japanese military activities since the end of World War II. The clause in Japan's constitution banning overseas military activities and restricting Japan to defense of its own islands was dictated by the United States. And American policy makers were, until recently, most pleased with Japan's informal limit on defense spending of one percent of GNP.

Still, in light of the new world situation, it is probably a good idea to insist that Japan take up more of its own defense needs. Yet U.S. policy makers must understand that having conditioned the Japanese not to seek advantage through military actions, they cannot expect Japan to take up guns at a moment's notice, as the West seemed to suggest that it do during the Gulf war. The Japanese are haunted not only by their own self-doubts, but by Asian fears of future Japanese domination, and by resentment against them, which runs high in Asia owing to their cruel behavior during World War II.

What should be the nature of the U.S.-Japanese security relationship in the post-cold war world? In laying out his scenario for future U.S.-Japanese relations, Olsen argues that economic security will be of primary importance. On the military side, Olsen offers three possible arrangements. First is a continuation of the current arrangement, which he opposes, and that is a conclusion on which many analysts would now agree with him.

Second is to keep the current framework, but push the Japanese to shoulder more of the defense burden. Olsen considers this preferable to the first option but still not good enough. From his own perspective, though, Olsen



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might have given this option greater consideration. Those concerned about a Japanese threat might heed the advice of godfather Michael Corleone to "keep your friends close but your enemies closer." Would not an American fleet in Japan, ostensibly to protect Japan, also guarantee that the Japanese pose no future threat in Asia?

In any case, the third option offered (and favored) by Olsen is to recognize that the United States and Japan share few security interests, and to maintain bilateral relations without a formal security agreement. Certainly, absent the Soviet threat, a case can be made for this option. But because Olsen focuses primarily on economics, he does not offer useful insights into the matter. What he needs to provide is an analysis of American and Japanese regional interests in Asia.

**Conclusion**

It is ironic that Olsen calls for an American economic national-security policy centered on opposition to Japan at a time when Japan's importance in the world may be declining. The stock market in Japan has lost half of its value. Land values have dropped. Japanese businessmen likely will not be as flush with cash in the future as they have been in the past, when huge investments in the United States gave some Americans concern that Japan was somehow "too powerful" and "a security threat." Remember, in the 1970s, that a similar reaction was set off by the sudden wealth of Saudi Arabia and other Arab states. Granted, because Japan has one of the world's strongest industrial bases, it will continue to be a world leader. But it, like the Arab states, likely will settle down into a more conventional investment and trade mode.

In addition, free market reforms in Argentina, Mexico, and other Latin American countries, and the likely future economic growth in the former communist countries of Eastern Europe will add new and prosperous players to the world scene. This will not weaken Japan. A wealthy Mexico will not mean a poorer Japan, any more than a wealthy Japan means a poorer America. In all likelihood, Japan will be richer as a result of a more prosperous world. But what the free market revolutions throughout the world will mean is that Japan's economy will not bulk as large as a percentage of global wealth. Consequently, it is likely not to seem to be as much of a threat to America, even to those who cannot define what the threat is in a prosperous Japan.

For a while, though, the obsession of some thinkers with Japan, and the cold war habit of seeing the world in terms of a zero-sum game, will probably be with us. And while they are, the danger remains that America might change its liberal and democratic system to a semi-fascist one for the purpose of dealing with a perceived economic enemy. Hopefully, that danger is remote, and the American people will see through such nonsense, even when their experts cannot.



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*Defining the Japanese Challenge*

# Educate Japan, Don't Attack Her

by Robert Elegant

Edward A. Olsen's analysis of relations between the United States and Japan is untrammeled, unorthodox, incisive, and far-reaching. Despite some lapses, it is as fair an analysis as one is likely to find, clearly avoiding the pitfall of catering to the Japanese on one side and just skirting the pitfall of total antagonism to Japan on the other. His recommendations for recasting American policy are extremely stimulating — not least for their audacity. Of particular note are his suggestions concerning reform in U.S. security ties to Japan and reform in America's national security bureaucracy.

Unfortunately, Olsen's proposals do not mesh either with each other or with the demands of the real world. They are, in truth, an ingenious intellectual exercise, brilliant within their own context, but no more. The proposals certainly would not lead to the presumably desirable goals he envisages.

**Security Arrangements**

Olsen's main point concerns the new security world into which America is entering. New it may be, but Olsen writes as if it brought with it no military challenges. Thus, he discounts the need for conventional military forces, advising an almost obsessive concentration on the economic struggle. Yet military forces, as well as a nuclear deterrent, are essential to security in an increasingly unstable world; military force is the basis of American power, that is, the coercive capability the United States possesses as the sole superpower.

The worst consequence of following Olsen's recommendations would inevitably be the further rearming of Japan. Pursuing his policies would virtually declare a state of hostility between the United States and Japan, yet would leave the United States unprepared to prosecute those hostilities.

Olsen encourages — appears almost to seek — extension of Japanese military power. He deplores her as "a poor ally" in the Gulf war and advocates "seeking fairness and equality in the burdens of world leadership." He advocates cutting Japan loose from American protection and thus from American restraints. At the same time, he champions policies that would profoundly alarm Japan. He would awaken her latent insecurity, which verges on paranoia, by an open declaration of American hostility.

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Does he expect the Japanese not to react forcefully — perhaps forcibly? Is it not more desirable that Americans should continue to play the role of international policemen, even at the risk of being taunted as mercenaries? Does Olsen really wish to see a rearmed and assertive Japan threaten the stability of Eastern Asia, which is economically the most dynamic part of the world? Does he wish the United States to begin an all-out campaign to halt Japan's economic expansion, as we did once before? Even if it means using military means to attain that end, as it did in 1941?

Given the American military's creeping withdrawal from Asia, which Olsen would accelerate, only the Japanese could, under foreseeable circumstances, fill the power vacuum and stave off regional conflicts — initiated, perhaps, by a militarily powerful Indonesia or by Burma. Perhaps in time the Chinese could fill the vacuum as well. But is Olsen so fixated on the economic challenge of Japan that he cannot see the dangers in militant Japanese rearmament or the outreach of Chinese military power?

Then, too, why should the wisdom and institutions that enabled the United States to triumph in the cold war be jettisoned as if they had led to defeat rather than victory? Assuredly, the United States must adapt to radically changing circumstances after bringing down the Marxist-Leninist bureaucratic states. But why dismiss the architects of victory and demolish what they built?

Olsen is absolutely correct when he says that the security element in the U.S.-Japan relationship has, quite outrageously, been allowed to dominate the economic element, largely because of the pressure of the Japan lobby. Must we, however, compensate by outrageously allowing the economic element to dominate all other considerations?

**Partners or Enemies?**

On the broadest level, Olsen's analysis is also correct in contending that the United States has consistently been too tender towards Japan. But the root cause of America's many problems is not the Japanese challenge, fearsome as that challenge is. The root cause lies in America's own inadequacies in facing a world that is radically new. It should be obvious that Washington cannot solve the country's internal problems by browbeating the Japanese, who are in any event very hard to intimidate.

At one stage or another in his essay, Olsen seems to acknowledge these points. Yet the thrust of his highly emotional policy would lead away from the goal he avowedly seeks. He says he wants a brand new, more pragmatic relationship with Japan that would serve American economic interests better than does the present policy — ideally, making Japan and the United States "equal partners" sharing the burdens of world leadership. Peaceful cooperation, even if under duress, is the only basis for such a relationship. Yet the approach Olsen proposes is so provocative and intemperate that it would produce a state of virtual economic war between the two countries. Holding Japan to be the root cause of the most critical American problems, he envisages a grimly competitive relationship between Tokyo and Washington.



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*The great satan.* Olsen never makes a convincing case for Japan as Public Enemy Number One, however strong public sentiment may be — as opposed to scholarly assessment. He denounces Washington for "...refurbishing anachronistic alliances, fighting other people's wars, putting a new veneer on outdated American institutions, and pouring old policy expertise into new bottles." He declares that the United States must stop fighting old battles, dismiss the cold warriors, and gird for the all-out struggle against Japan. Yet he passionately embraces the oldest cold war succubus — and most seductive to adolescent minds — of them all: the single enemy on whom all misfortunes can be blamed, the one mighty and evil foe whose defeat will dissolve all our problems.

Even at the height of the cold war, American attention was not directed solely to the Soviet Union, but also to the People's Republic of China, to the East European satellites, to Western Europe, and to the Third World. It is especially unclear why Japan should now be the single overriding focus of American foreign policy.

Yet Olsen writes: "Were the United States to target Japan in a non-hostile fashion as the focus of the three key problems [previously defined], Washington could address those issues in a unified way." Even aside from the oxymoron involved, Olsen's non-hostile targeting is simplistic: a single sword stroke to cut through a Gordian knot.

Olsen does perceive that all of America's ills cannot be ascribed to a deliberate Japanese plot to gain international domination. Nonetheless, he greatly overstates the Japanese element in America's problems. I do not mean to understate the danger Japan poses to the established international order and to the ecological balance of the world. But I believe the Japanese drive for hegemony is unwitting, inherent in their nature and their approach, not a conscious conspiracy. Americans may feel better about themselves and enhance their faltering self-esteem by blaming their difficulties and their frustrations on a conspiracy made in Japan. And it is, presumably, desirable to feel good. But such misdirection will inevitably lead to still greater difficulties and more irksome frustrations.

**Bureaucratic Reforms**

Much of Olsen's program is really a structure in search of a policy. He wants extensive bureaucratic reorganization. His measures would probably lead where most sweeping bureaucratic reorganization has led in the past — to more bureaucratic reorganization.

Central to Olsen's plan for reorganization is his proposal for putting Asian specialists in high places throughout the policy-making organs of the United States in order to cope with the mortal threat he sees in Japan. Since I am myself what Olsen calls an Asianist, I cannot object strenuously to this notion. Yet I cannot wholly concur with even that recommendation.

*Academic strategists.* Consider the effect of placing academicians in positions of power. Above all, consider Edwin Reischauer's record as ambassa-



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dor to Japan. Reischauer was an academic superstar, a *capo di capi* in the Harvard mafia of John Fitzgerald Kennedy. And look at the harm he did — by Olsen's definition and by my own.

Olsen himself implicitly deplores the effect of Reischauer's tireless advocacy of Japanese interests, which helped bring us to the present crisis. Yet Olsen would have the United States place many more academicians in positions of power. The difference, it turns out, is that Olsen wants academic appointees who are certifiably anti-Japanese. But the problem lies deeper than he thinks. Turning scholars into bureaucrats would, by the evidence of previous attempts, benefit neither scholarship nor government, regardless of the scholars' predispositions.

Unfortunately, Olsen's advocacy on this point is further depreciated by his descent to academic infighting. He devotes much passion to pleading the cause of the "Japan Bashers" in their feud with the Chrysanthemum Club. The latter are presumed to be virtual *yatoi*, as much hirelings of Tokyo as the foreign experts who worked for the Japanese government after the Meiji Restoration.

**Hitler was evil incarnate, and Stalinism was an evil doctrine. But a Japanese Lucifer is simply not convincing.**

No doubt, the Japanese make great efforts to influence foreign, particularly American, opinion through favors to academics and journalists. So does every major country and many foreign corporations. The Japanese are less scrupulous in that endeavor than are some others — as Westerners define scruples. But that does not mean they have bought American scholarship or public opinion. Quite the contrary. The Japanese currently stand condemned in the court of American opinion without a full hearing. If they are unscrupulous by our definition, they are also clumsy by any definition.

*Economic warriors.* Consider next Olsen's extraordinary suggestion that the Pentagon with its armed legions and the Central Intelligence Agency with its flocks of electronic and human spies should be restructured for the quasi-economic war against Japan that he envisages.

Despite admiration for the performance of the highly professional American military establishment, few who have had much experience with American generals and admirals in action would credit them with great political perspicacity or with profound economic insight. Yet Olsen casts the military in a central role in the economic struggle between Tokyo and Washington he desires, which would be neither true peace nor all-out war.

The military would presumably be suited for the command or directed economy that Olsen also seems to desire, perhaps unwittingly. However, the extent of government interference in the economy he envisages would certainly result in massive inefficiency. As the Soviet Union, China, and the East European satellites have demonstrated, command economies just don't work.



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Olsen further proposes "privatizing" a large part of the CIA to perform the function of "sanitizing classified governmental data and analysis, and transmitting it to the private, corporate sector in ways that enhance American competitiveness." It is obviously desirable that the government should assist the private sector with information. American industrial and commercial activities abroad are unquestionably handicapped by lack of the close official support that Japanese, French, German, and even British firms enjoy. Nonetheless, Olsen's proposal is fraught with danger for both the country and the intelligence community.

Extending the grasp of the CIA so that it played a vital economic role would create a major new power center, distorting both political and economic democracy. With corporations large and small as its customers, the CIA could become an intelligence-industrial complex as dangerous as the military-industrial complex that Dwight Eisenhower deplored in his farewell address.

Less frightening but still grave would be the effect on the CIA itself. Recent history has repeatedly demonstrated that charging a single agency with responsibility for both intelligence gathering and covert action interferes with both functions. Analysis of intelligence is too often subordinated to the need to promote or to justify actions. In any event, a number of private organizations are already engaged in industrial espionage — some run by former CIA officers of the highest rank.

Again, the emphasis in Olsen's proposals is institutional and procedural: creating new organizations and new jobs. His vision of the role those new organs would play is, however, fuzzy. Granted, it is difficult to lay down a specific strategy, much less specific tactics, in a hypothetical projection. Nonetheless, Olsen's proposals are so audacious, departing so far from received wisdom on the subject, that they require such specifics if they are to carry conviction. Otherwise, they remain not merely implausible, but virtually incredible.

**Dealing with Japan**

In sum, the approach Olsen counsels impedes understanding of the real and grave problems raised by Japan's present behavior; it does not address those problems realistically; it would exacerbate rather than ameliorate the challenge of Japan and would weaken the United States; and above all, it encourages self-deception on the part of Americans, whose first need is to stop kidding themselves. His approach would be a disaster for the United States as well as for Japan, though hotheads in both countries would presumably enjoy the surge of adrenalin as they rushed towards the brink.

Moreover, the theological tone of Olsen's polemic is disturbing. He is virtually sounding the tocsin for a new crusade. Hitler was evil incarnate, and Stalinism was an evil doctrine. But a Japanese Lucifer is simply not convincing.

Lastly, some of Olsen's recommendations are inherently contradictory. He wants to get tough with the Japanese, but expects them to act within tacitly understood limits, as did Moscow and Washington during the cold war. Yet he



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observes — with total justification — that the Japanese do not now act within mutually acceptable limits, even within the present relationship, which is on the surface amicable, if not always amiable.

Olsen must know that you do not yell at Japanese if you want to get results, though you may on occasion yell at Americans, Filipinos, or Chinese. Some Japanese officials have quietly advised the United States to get tougher. They have definitely not advised us to scream and shout in public — as did George Bush's Praetorian Guard of auto magnates led by Centurion Lee Iaccoca.

Getting action from the Japanese requires toughness, for they do not give way easily — toughness, but not an assault with a meat ax.

We cannot bludgeon them into compliance. That would only make their heads harder and their resistance more stubborn. Think also of the beating we would get in return as they defended themselves. A slugging match is not the solution.

We should rather seek to teach the Japanese, for they are eminently educable, as they have proved repeatedly, most spectacularly during the Meiji Era and the Allied Occupation. Since the mid-nineteenth century, Japan has consistently demonstrated herself eager to adopt new ways — when shown how change will serve her interests, either by direct material and psychological benefits or by averting possible catastrophes.

Changing Japan will be a long and arduous process. Nor can it be done solely with smiles. Scowls are equally necessary. But hostilities are not. We need the carrot and the stick, not bludgeons and ranting.



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# Will an EC Currency Harm Outsiders?

by Richard N. Cooper

Formation of a European Economic and Monetary Union (EMU), if it occurs, will be a momentous occasion in the history of monetary affairs. Twelve independent and sovereign countries will be adopting what is in effect a common currency. This paper addresses the possible impact of such an arrangement on the rest of the world. Will an EMU, inevitably consequential for Europe, have a significant impact elsewhere?

Surprisingly, two important blueprint documents on the EMU — the Delors Committee Report and the 1990 lecture by German Bundesbank president Karl Otto Pöhl that laid down his desiderata for a European central bank — are totally silent on the question of the rest of the world.[1]

Two hypotheses can be advanced for this curious omission. The first is that it reflects a judgment that the EMU will have no influence on the rest of the world sufficient to mention. A second hypothesis is that it reflects the extreme preoccupation of Europeans these days with internal European affairs, which are complex enough without allowing for the further complexities arising from relations with the rest of the world. One concrete example of such complexity will serve: both papers suggest that the new European monetary authority should be fully independent of sitting governments, and also that the new monetary authority should be responsible for exchange-rate management. Currently, exchange-rate management is the responsibility of governments, usually of ministers of finance. How will exchange-rate management be coordinated between independent European Community (EC) monetary officials and non-EC ministers? The issue is not addressed by either document.

For analytical purposes, this paper will discuss, first, the EMU's impact on the rest of the world during the long and possibly arduous path of getting from present arrangements to an effectively functioning monetary union, and, second, the impact on the rest of the world of an EMU in being (in the year

[1] Committee for the Study of Economic and Monetary Union (chaired by Commission president Jacques Delors), *Report on Economic and Monetary Union in the European Community* (Brussels: European Community, April 1989); and Karl Otto Pöhl, "Basic Features of a European Monetary Order," (Lecture organized by *Le Monde*, Paris, January 16, 1990).

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2010, say). But prior to either of those discussions, it is necessary to describe the European position on the content of the monetary union, as agreed at the Maastricht Council meeting in December 1991.

**A European Monetary Union**

To begin, one needs to be clear on the content of the European Monetary Union, and on the path towards its realization. On the latter point, the formative Delors Report envisages three stages. During the first stage, the 1992 program for eliminating economic barriers among members of the European Community would be completed, mechanisms for both economic and monetary cooperation would be strengthened, all EC countries would join the European Monetary System (EMS) of fixed exchange rates adjustable by common consent, and all impediments to private use of the European currency unit (Ecu) would be removed. The European Council agreed at its June 1989 meeting that the financial aspects of this stage would be achieved by July 1990, with the exception of removal of controls on financial capital movements by Greece, Ireland, Portugal, and Spain. At its December 1991 meeting in Maastricht, the European Council agreed to a treaty sketching the features of the EMU and laying down criteria and a timetable for its introduction.

The second stage is to begin in January 1994 with the creation of a European Monetary Institute, which will be the nascent European Central Bank Council with enhanced powers to coordinate monetary policy among the national central banks within the European Community, although what exactly those powers are to be was not agreed. This second stage would further strengthen mechanisms for coordinating macro-economic and monetary policy, the latter especially through evolution toward a European System of Central Banks (ESCB). During this stage, the power to determine monetary policy would gradually be transferred from national monetary authorities to the ESCB. Changes in exchange rates could still be made during this stage, but only in exceptional circumstances.

The third stage, to take place no later than January 1999, involves movement to irrevocably fixed exchange rates among the members of the EMU, which would include all qualifying members of the European Community. (The detailed qualifications of membership need not concern us here.) The ESCB would take on full responsibility for determining monetary policy throughout the EMU, with its prime objective being to assure price stability. The Council of Ministers would determine exchange-rate policy, but with the advice of and after consultation with the ESCB, a process designed to ameliorate the intrinsic tension between independent monetary and exchange-rate policies.

A system of irrevocably fixed exchange rates — a single currency in everything but name — requires a single monetary policy throughout the union, and hence a single monetary authority that would have the decisive voice in growth of base money and in setting official interest rate policies.

Such an authority among sovereign states raises the important and diffi-



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cult question of how the monetary authority is to be politically accountable, if it operates independently of instruction by sitting governments. One solution, advocated by German chancellor Helmut Kohl, involves accountability to a European Parliament, a further step towards a United States of Europe. A second possible solution, not involving further evolution in that direction, would involve accountability to the Council of Ministers (which is in turn politically accountable), but the monetary authority's accountability would be only for the general direction and execution of monetary policy, not for the operational details. That solution, however, violates the desideratum laid down by Pöhl, that the ESCB should be completely independent of ministers.

As it happens, the Maastricht Council elected neither of these options, but rather agreed with Pöhl to the creation of a Platonic body of non-removable wise men, which is to be given wide policy-making powers, with an obligation to report publicly, but with no further provision for public accountability for their actions. This provision is not consistent with democratic government, and for that reason will probably not survive.[2] But this important topic is left to one side in what follows.

**An EMU in the Making**

During the transition to a European monetary union, a variety of issues would arise. These fall under four headings: 1) portfolio shifts, both official and private; 2) the adjustment process during the transition; 3) the need for the new monetary authorities to establish their reputation; and 4) the preoccupation of European officials with European problems.

*Shifts in portfolios.* The first transitional issue concerns shifts in portfolios of the world's holders of liquid assets. These consist overwhelmingly of domestic securities in most countries, but insofar as liquid assets are held abroad they are predominantly in U.S. dollars, with large amounts also in German marks, Japanese yen, Swiss francs, British pounds, and increasingly Ecu. If EMU goes forward and looks as though it will be a success, asset holders will want to increase the share of Ecu-denominated assets. This process will of course be gradual, but as the Ecu market develops it will accelerate, and with further success a "tipping point" will be reached at which international asset holders may wish to switch their assets into Ecu in large volume. There is of course no certainty that this will occur; the dollar remains for many purposes an extremely useful medium, and the U.S. government securities market has the great advantage of being large, well established, and highly liquid. But if it occurs, there will be strong downward pressure on the dollar, and upward pressure on the Ecu, with powerful implications for trade competitiveness, as the United States discovered when the dollar rose so sharply during 1982-85. Europeans would find exporting much more difficult. In short, a massive shift

[2] In June 1992, the Danish public rejected the Maastricht Treaty in a close referendum. The reasons were diverse and complex, but the democratic gap entailed in moving so much authority to community institutions was one of them.



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in international portfolio composition, unless countered by official action on an equally massive scale, would create a major disturbance to world trading patterns, lasting over a number of years. American and Japanese exports, as well as those from newly industrializing countries, would expand at the expense of European suppliers. That, in turn, would no doubt create powerful protectionist pressures within Europe, just as the exceptionally strong dollar did in the United States in the mid-1980s.

There is another aspect to international portfolios: central banks hold large amounts of foreign exchange reserves, mostly in dollars (63 percent at the end of 1988), but with about one-sixth in German marks and lesser amounts in Japanese yen (7 percent), Swiss francs, British pounds, French francs (together, 6 percent), and other currencies.[3] With European transactions internalized to a single currency zone, the need of European countries for international reserves would greatly diminish. Intra-community transactions would be made with domestic money. According to one estimate, the surplus foreign exchange reserves of the community members would be about $200 billion.[4] If European countries were to attempt to dispose of these (mostly dollar) reserves, that also would put downward pressure on the dollar relative to the Ecu, with affects similar to those already mentioned. In part for this reason, in part because monetary authorities are reluctant under any circumstances to lose reserves — no matter how unnecessary they may be — these particular foreign exchange holdings are not likely to be disposed of, but rather will become a permanent part of the national wealth of each country, until some emergency arises that calls for their use.

*Balance of payments adjustment.* It is widely believed that European exchange rates are out of alignment in the early 1990s; yet, several member countries insist that no changes should be made, as that would cast doubt on their commitment to a low-inflation policy. The problem was mitigated in 1990-91 by the unexpectedly large government expenditures in Germany associated with its commitments to the five new länder that once made up the German Democratic Republic. German unification created an expenditure boom within Germany that increased demand for the products of its trading partners. The high expenditures may continue for several years, but Germans will want to reduce their budget deficit, and as they do so the expenditure boom will cool, revealing the underlying imbalances within the community.

These problems of intra-community balance-of-payments adjustment raise the question of the "last realignment" of exchange rates before they are irreversibly fixed on the creation of EMU. With widespread expectations of the need for some realignment, especially for Italy's lira, there will be massive speculative movements of funds as the day of EMU creation, January 1, 1999,

[3] International Monetary Fund, *Exchange Arrangements and Exchange Restrictions: Annual Report* (Washington, D.C.: International Monetary Fund, 1989).

[4] European Commission, *One Market, One Money* (Brussels: European Community, 1990), chapter 7, especially p. 178.



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approaches. To avoid this, the authorities should anticipate that prospect, and realign before speculative movements start. But market participants will be aware of this obvious strategy and will start to speculate before then. By regressive reasoning, the time to realign was immediately after Maastricht (or, anticipating the outcome, immediately before). As mentioned, realignment cannot occur without bringing into question the commitment to fight inflation. The result will be no realignment — the main implication of the EMU — without its concomitant advantages, since the possibility of realignment remains.

Without exchange-rate adjustments, but with public recognition of the need for them and the continuing possibility of exchange-rate adjustments, monetary conditions will have to be kept tight and demand depressed in several European countries, thus creating a deflationary bias in Europe and thereby in world markets.

**A new "Eurofed" will be tempted to pursue a monetary policy that is tighter than required, depressing European export competitiveness.**

The deflationary bias will be reinforced by the countries' attempts to meet the stiff qualifications for membership, which will require a tightening of fiscal policy from the early 1990s in all of the EMU countries except France and Luxembourg.

This set of circumstances will be particularly difficult for developing countries that remain ridden with debt and that depend heavily on European markets for their exports of primary products and simple manufactures. Overall monetary tightness will lead to appreciation of the EMS currencies against the dollar and the yen, thus mitigating the deflationary impact on Japan, the United States, and some other countries. But that will not help those exporters of primary products whose export revenues depend both on the volume of what they can sell to Europe and on the price they get for it, both of which would be depressed under the postulated circumstances. Thus, economic recovery of debt-ridden developing countries from the depressed 1980s will be prolonged, and their debt problems will dissipate more slowly.[5]

*Establishing a reputation.* Once the new ESCB is created and endowed with monetary authority, it will be concerned with establishing a reputation for sound monetary policy, especially with a skeptical German public, which will be uneasy about passing monetary authority from its respected Bundesbank to a new, untried institution. The new "Eurofed" thus will be tempted to pursue a monetary policy that is tighter than required, and than would be pursued by a monetary authority whose reputation was secure. Tight monetary policy could

[5] For a discussion of debt in developing countries, which concludes that most non-African debt-ridden countries will gradually work out of the debt crisis, see Richard N. Cooper, *Economic Stabilization and Debt in Developing Countries* (Cambridge, Mass.: MIT Press, 1992).



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possibly be rationalized by the conviction that fiscal policies in the member states are too loose, even when governments must finance their budget deficits in the capital market rather than at national central banks, which after 1999 will cease to have money-creating powers. This combination will ensure a strong Ecu in international markets, with corresponding depressing effects on European export competitiveness and its associated impact on the rest of the world.

*Preoccupation with European problems.* Creating a monetary union among twelve sovereign countries is a difficult assignment for those with the responsibility. They will be preoccupied with their arduous task. The consequences of forming a monetary union, both foreseen and unforeseen, will also occupy other European policy makers as these consequences become evident in one area after another. For these reasons, the attention of most European policy makers will be turned inward, with little energy being left for problems in the rest of the world, or even between Europe and the rest of the world. Some outsiders will regret this lack of attention; others will welcome it. But in either case, it will be an effect of the transition to a European monetary union.

Unfortunately, the EC has few useful precedents to draw upon in creating a common currency, for other currency unions have been quite different from the proposed EMU. The nineteenth century saw the Latin Monetary Union among Belgium, France, Italy, and Switzerland, with its standardized, widely circulating coinage, and the Scandinavian Monetary Union (1873-1915), which involved the union-wide circulation of gold-convertible banknotes. But neither of these could survive the strains of the First World War. Today, Belgium and Luxembourg have a monetary union (dating from 1922), as do Switzerland and Liechtenstein.[6] Both of those unions, however, are between a large country and a small one. An East African Monetary Union existed for several years among Kenya, Tanzania, and Uganda after their independence, but then broke up along with most other common institutions among those three countries.[7] Thus, currently, only two monetary unions exist among sovereign and equal countries, the West African Monetary Union and the Central African Monetary Union, with six and seven members, respectively. Even in these cases, however, the formation of the monetary unions was strongly influenced by the former colonial power, France, at the time of independence, and France still exerts some influence in their management.

## Impact of a Settled EMU

Suppose, however, that the EMU is in place and has gotten through its settling-in period. There will be a great impact in Europe: national monetary policy will no longer exist, and governments will no longer be able to turn to the central bank to finance their budget deficits; they will have to go to the pub-

[6] See H. Parker Willis, *A History of the Latin Monetary Union* (Chicago, Ill.: University of Chicago Press, 1901); and James E. Meade, *The Belgium-Luxembourg Economic Union, 1921-1939* (Princeton, N.J.: Princeton University Press, 1956), particularly the section on international finance.

[7] See Joseph S. Nye, Jr., *Pan-Africanism and East African Integration* (Cambridge, Mass.: Harvard University Press, 1965).



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lic capital market instead. A common currency will encourage the development of a truly community-wide capital market, with closely competing government and private interest-bearing securities not subject to exchange risk, as they are today.

By the same token, of course, changes in exchange rates among national currencies will no longer be available as an instrument of policy within the community. Change in the pattern of demand for national production will manifest itself as regional inflation or unemployment, putting upward or downward pressure on nominal and real wages, and perhaps inducing some movement of labor from regions of low demand to regions of high demand, such as takes place within the United States, or indeed within any country.[8] Within an EMU these regions might be member-states of the community.

**With economic union and a single currency, a strong case could be made for reducing the European share of IMF voting power.**

Now, how might these developments, obviously significant within Europe, affect the rest of the world?

The impacts on non-members of the EMU fall under five headings: 1) European influence on world monetary management; 2) capital markets and portfolio adjustments; 3) exchange risk and trade flows; 4) exchange risk and growth; 5) imperfect internal adjustment.

*European influence.* One argument for monetary union sometimes put forth by Europeans is that it would give them a greater voice in world economic affairs.[9] It is difficult to determine exactly what this sentiment means. At present, Europeans account for four members at the Group of Seven[10] summit meetings, and five of eight if the president of the European Commission is counted. Members of the European Community command 28 percent of the voting power in the International Monetary Fund (IMF), compared with 19 percent for the United States. With economic union and a single currency, a strong case could be made for reducing the European share of IMF voting power, based on the criteria traditionally used by the IMF. Changes in voting share at the IMF occur glacially, so no immediate adjustment is likely, but EC members

[8] There is a large literature on the inter-regional adjustment mechanism. See, for example, Barry Eichengreen, "One Money for Europe? Lessons from the United States," *Economic Policy*, April 1990, pp. 118-187, and the references cited there; also Barry Eichengreen, "Is Europe an Optimal Currency Area?" National Bureau of Economic Research Working Paper No. 3579, January 1991; and James C. Ingram, *Regional Payments Mechanisms: The Case of Puerto Rico* (Chapel Hill: University of North Carolina Press, 1962).

[9] See, for example, Pierre Werner, "Remarks," in Armand Clesse and Raymond Vernon, eds., *The European Community after 1992: A New Role in World Politics?* (Baden-Baden: Nomos, 1991), p. 412; and European Commission, *One Market, One Money*, chap. 7.

[10] Members of the Group of Seven are the United States, the United Kingdom, Canada, France, Germany, Italy, and Japan.



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would over time be prime candidates for reduction, in order to enlarge the voting rights of Japan, the newly industrializing countries, and new members such as the successors to the Soviet Union, or Switzerland should it choose to join the IMF.

The desire for a greater European voice may reflect frustration at not being able to determine economic events or outcomes. But if this is the prime concern, disillusionment is bound to set in when Europeans discover that precisely because many parties influence developments in modern markets and modern economies, no single party determines outcomes.

**The role of European financial centers might be somewhat enhanced by a common EC currency.**

Of course, a common European monetary policy would have a major influence on the monetary tone of the world economy, just as U.S. monetary policy does today. That influence, which is already present, arises from the size of the European economy and the coherence of its policy, not from its voice in negotiating forums. Moreover, a monetary union might conceivably make European officials less concerned about relations with the rest of the world, and therefore more passive about external exchange-rate management than has been true to date.

An important technical point is involved. In a world of n countries with n currencies there are only n-1 independent exchange rates, and therefore there can be only n-1 independent exchange-rate policies. Either there must be a consistent set of rules binding on all (for example, fixed exchange rates, or pure floating without official intervention) or at least one country must be passive in its exchange-rate policy. The United States has typically been the passive country — a stance sometimes referred to as benign neglect, or, by those who do not like it, malign neglect. With an EMU, Europe might be more inclined also to adopt a passive stance. Such a stance might induce Washington to take a more active role in exchange-rate management, so Europe would come to play the nth country role. Or both could remain passive, implying freely floating exchange rates between the U.S. dollar and the Ecu. In the former case, of course, the United States would probably want to acquire substantial official holdings of Ecu-denominated assets, for use in exchange-rate management, and that (continuing) process would put downward pressure on the dollar relative to the Ecu, with consequences for trade already discussed.

Alternatively, both entities could adopt an active role, and closely coordinate their actions so as to avoid conflicting policies and actions. A single European decision-making center should in principle make U.S.-European monetary and exchange-rate cooperation easier than it is at present, with twelve separate members of the European Community pursuing eleven different monetary policies (conditioned, of course, by commitment to the European Monetary System). But whether that turns out to be the case in practice depends on the details of how European monetary policy formation is organized,



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and, in particular, whether one individual has a decisive voice. Without that, coordination will be no easier than it is now. U.S. monetary policy is determined by a collective body, not accountable to the head of the U.S. government. Plans for European monetary union point in the same direction: decisions by a collective body that operates independently of the sitting heads of government. Under those circumstances, it is difficult to see how coordination would take place regularly and smoothly, short of having the two collective bodies meet together, and even make joint decisions.

*Capital markets and portfolio adjustments.* Once the EC has (in effect) a common currency, exchange risk would disappear within Europe and a Europe-wide capital market would develop, with "breadth, depth, and resiliency," to use former U.S. under-secretary of treasury Robert Roosa's phrase. Given Europe's importance in world production and trade, such a capital market would attract foreigners both as borrowers and as lenders. Some assets that are now held in dollar-denominated securities would be held in Ecu-denominated securities, although the dollar would very likely remain important as a world currency as well.

With a higher share of the world's portfolio of liquid assets held in Ecu, European real interest rates would be somewhat lower than they would be otherwise — Ecu-denominated liquid assets would command a liquidity premium, as dollar-denominated assets do today. The exchange rate of the Ecu would be somewhat more appreciated against other currencies than it would otherwise be as other growing countries added to their Ecu-denominated assets. These two effects, difficult to quantify, would have opposing influences on the competitiveness of European products in world markets. But they would influence the structure of European competitive advantage, tilting it toward capital-intensive goods, and away from non-capital intensive products that have close substitutes produced elsewhere.

The role of European financial centers might also be somewhat enhanced, although it should be noted that London and Luxembourg are already important centers for dollar-denominated securities, and shifting in part to Ecu would not necessarily strengthen them further, since financial institutions based in New York and other financial centers around the world would no doubt also compete for the business.

*Exchange risks and trade flows.* The reduced transactions costs and exchange risk within Europe will have trade-creating effects among members of the community. But they will also have some trade-diverting effects. With the reduction of these costs within Europe, but not vis-à-vis the rest of the world, some imports from the rest of the world will become less competitive with products from elsewhere within Europe, and thus the rest of the world will see some decline, at least on this account, in its share of the European market. The transactions cost effect is likely to be negligibly small, on the order of 0.5 percent.[11] The magnitude of the influence of exchange-rate variability on trade

[11] See European Commission, *One Market, One Money*, pp. 68-75.



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is difficult to specify. Empirical estimates on it are rare and tentative, but such influence is no doubt present and is possibly substantial.[12]

These trade-diverting effects will be all the greater if as a result of the currency union the variability of Ecu exchange rates with respect to non-member currencies, such as the U.S. dollar or the Japanese yen, actually increases, as there are theoretical grounds for supposing it will. According to Le Chatelier's principle,[13] blocking some outlets in a system of fluids under pressure will increase the movements in those outlets that remain unblocked. By analogy, in an economic system subject to disturbances of a given magnitude, preventing some variables from moving (for example, by fixing internal exchange rates within Europe) will lead to greater movement of the variables that remain flexible (for example, external exchange rates). So on these grounds, external exchange-rate variability may be expected to increase, and that will reinforce the trade diversion mentioned above.

But the condition "subject to disturbances of a given magnitude" is a crucial one. Do exchange-rate arrangements influence the character and magnitude of the underlying disturbances to which modern economies are subject? Formal modeling by economists assumes the answer to this question is negative. But those with market experience believe that financial markets (including foreign-exchange markets), while not divorced from economic fundamentals, have some life of their own, and therefore can and do create disturbances for other financial markets and also for the real side of modern economies. They are subject to temporary fads and to bandwagon effects that may increase the variability of their prices beyond what would be justified by the economic fundamentals, and that may disturb other parts of the economy where the welfare impact is greater than it is in financial markets alone. That observation underlies the rationale for official intervention in foreign exchange markets. To the extent that this argument is correct, the creation of an EMU may actually reduce overall external exchange-rate variability. What happens to external exchange-rate variability of course also depends on official action in exchange markets, taken up below.

*Exchange risk and growth*. In open economies investment in productive capacity in goods and services subject to a high degree of international competition may be discouraged by exchange-rate variability as a source of price uncertainty, as well as by transactions costs for currency conversion. To the extent that both transactions costs and price uncertainty are reduced by formation of an EMU, total investment may increase, raising future output and income. A growth in imports associated with higher European output and income may outweigh the trade-diverting effects discussed above. There is little

[12] M. A. Akhtar and R. Spence Hilton, "Effects of Exchange Rate Uncertainty on German and US Trade," Federal Reserve Bank of New York, *Quarterly Review*, Spring 1984, pp. 7-16; and Paul De Grawe, "Exchange Rate Variability and the Slowdown in the Growth of International Trade," International Monetary Fund, *Staff Papers*, March 1988, pp. 63-84.

[13] See Paul A. Samuelson, *Foundations of Economic Analysis*, enlarged edition (Cambridge, Mass.: Harvard University Press, 1983), p. 36 *passim*.



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systematic empirical evidence linking investment to exchange-rate uncertainty, although there is much anecdotal evidence. Furthermore, it is noteworthy that following the introduction of generalized floating exchange rates in 1973, with its sharp increase in exchange-rate variability, the ratio of investment to gross domestic product in the industrial countries fell by 2 to 3 percentage points, from roughly 24 percent in the late 1960s to 22 percent in the second half of the 1970s, and to 21 percent in the 1980s. But the period since 1973 has been subject to several major oil price shocks, a sharp rise and then fall in the rate of inflation in industrial countries, and the two deepest post-1945 industrial recessions, in 1974-75 and 1981-82. Too many things have happened to impute the causal influences to increased exchange-rate variability with any confidence.

**Fixing internal exchange rates may be expected to increase external exchange-rate variability, affecting Europe's trade with the rest of the world.**

*Imperfect internal adjustment.* Adjustment to disturbances within Europe may not take place smoothly for many years after the introduction of EMU, owing to incomplete price and wage flexibility and imperfect labor mobility within Europe. Indeed, this is the outcome most feared by many opponents of EMU, and even by some of its proponents. Monetary union postulates an adjustment mechanism that relies on price and wage flexibility, and ultimately on labor and capital mobility within the geographic domain in question. (An alternative compensating mechanism, to avoid adjustment, involves subventions from some regions to others, and is taken up below.)

The need for adjustment cannot be avoided in any dynamic economy, subject as it is to changing patterns of demand and output, and driven ultimately by continuing technical change. If the adjustment process works poorly, some regions will be depressed for long periods and others will experience booms. A regional boom will generally arise from outside demand for the region's exportable products, and that will both increase the region's imports and lead to bidding up the prices of local factors of production and non-tradable goods and services, for which import competition is limited. At the same time, regions experiencing a decline in export demand will see a decline in their incomes and imports, and downward pressure on the prices of local factors of production and non-tradable goods and services. Whether prices actually decline in response to that pressure depends on their flexibility, that is, on the extent of nominal wage and price rigidity, something that is common in modern economies.

The effect of all this on the rest of the world depends on how economic policy makers respond. If price increases in the booming regions are interpreted as inflation (which they would seem to be if not compensated by actual price reductions in the relatively depressed regions), the monetary authorities might tighten monetary conditions, which in turn would appreciate the Ecu



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against non-member currencies. Both tighter money and a stronger currency would dampen aggregate demand, leading the European Community to an overall condition of stagnation (which does not exclude that a few regions are still booming, although less so than before the policy response). Effective interregional adjustment requires allowing the price mechanism to work, which means allowing prices of non-tradables to rise in booming regions.

If, in contrast, the monetary authorities ease monetary conditions to relieve the depressed regions, the European Community as a whole will experience demand-led growth, in part through real depreciation of the Ecu, and greater inflation. Either way, the rest of the world will feel the impact of these responses to imperfect regional adjustment.

Adjustment can be mitigated or avoided altogether if depressed regions are subsidized by booming regions. Drawing on the alleged experience of the United States, it is often said that interregional fiscal transfers greatly cushion regional imbalances, with the implication that the European Community should greatly augment such transfers as it moves toward monetary union.[14] The Delors Report mentions the need for greatly increased "structural funds" to help correct regional imbalances. At Maastricht, Spain insisted on and received formal assurances on the need for a large increase in funds to go to the four poorer countries of the community. Relative poverty, however, is not at all the same as the criterion calling for centrally allocated funds to assist in adjustment to latent regional imbalances in payments.

It is of course true that in the United States federal government expenditures and federal taxes are substantial, roughly 40 percent higher than the aggregate tax collections of the state and local governments. It is also true that when income in a region declines, its contribution to federal taxes (the most important of which is income taxes) declines, while at the same time federal expenditures in the region are not likely to decline, and through some limited programs may actually increase.[15] The reverse occurs in a booming region: federal tax payments rise, while expenditures are not likely to rise (unless an autonomous increase in expenditures is the source of the boom). This response reflects the "automatic stabilizer" role of modern tax systems, linked to corporate and personal income, and to employment in the form of payroll taxes.

But this automatic stabilizer exists in any modern fiscal system, even for the whole country. It is not limited to federal systems. When economic activity slackens, tax revenues fall. Unless government expenditures are consciously cut in response to the fall in revenues, the budget provides an automatic cushion to a decline in activity. Of course, the government must borrow more to cover its enlarged deficit, taking on an obligation against the future income of

[14] See, for example, Eichengreen, "One Money for Europe?"

[15] Unemployment compensation in the United States is financed by each state. If necessary, loans from the federal government are made, but must be repaid. Under certain circumstances, involving special legislation, the federal government may contribute to long-term unemployment compensation.



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all its citizens. For a region within a country, this obligation does not fall on its residents alone, but rather is spread over all the residents of the country.

While some U.S. states are net recipients of federal funds and others are net contributors to federal funds on a continuing basis, and those net flows are to some extent related to income differentials among regions, what is relevant for interregional adjustment is the cyclically sensitive component of federal expenditures: do such (net) expenditures increase as a result of relative decline in regional activity, and do they decline in a booming region? In reality, taking into account both taxes and expenditures, the interregional transfers sensitive to transitory shocks are quite low in the United States. Jürgen von Hagen estimates them at only 0.1 percent of the change in state income.[16] Most of the substantial cushioning effect does not involve interregional transfers, but rather the sensitivity of tax revenues to economic activity that exists in most modern economies, an important point that some analysts have missed.[17] Nonetheless, lower labor mobility in Europe than in the United States may warrant greater reliance on interregional fiscal transfers to cushion regional payments imbalances. The EC has not yet addressed this issue squarely.

## Conclusion

The creation of a European Monetary Union, once it is up and running, is not likely to have strong adverse effects on the rest of the world, although certain troublesome scenarios can be imagined. Indeed, an EMU could be absorbed smoothly, and, because of its stimulus to trade within Europe, it could on balance have a favorable impact on the rest of the world, including the United States, whose currency will undoubtedly be displaced to some extent by a successful single European currency.

The transition to EMU, however, before it is created (presumably by the end of the 1990s) and while it is settling down after creation, could create major dislocations, both within Europe and beyond. The major source of dislocation will be unresolved balance-of-payments tensions within Europe, which for various reasons have not been eliminated by the time of the EMU's creation. That, plus the need to establish an anti-inflationary reputation, will lead to a tight monetary stance within Europe, which in turn will attract foreign funds, appreciate the European currencies, reduce European export competitiveness, and foster protectionist pressures within Europe. And this will occur when Europeans officials are increasingly preoccupied with intra-European affairs, being less sensitive than in the past to relations with the outside world. So the dangers lie far more in getting from here to there, than in being there.

[16] See Jürgen von Hagen, "Fiscal Arrangements in a Monetary Union: Evidence from the U.S.," in Donald E. Fair and Christian de Boissieu, eds., *Fiscal Policy, Taxation, and the Financial System in an Increasingly Integrated Europe*, Dordrecht, The Netherlands: Kluwer Academic Publishers, 1992, pp. 343-44.

[17] Eichengreen, "One Money for Europe?"



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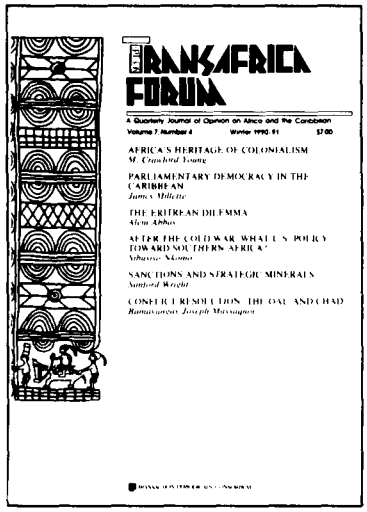
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# Canada without Quebec

by Steven K. Holloway

Canada's fate as a unified country has reached a crisis, as the scheduled October 1992 referendum on Quebec's separation from Canada demonstrates. The outcome of that crisis will have important consequences internationally as well as within Canada. Yet the tortuous twists and turns of Canada's interminable constitutional debate have made it obscure even to the average Canadian citizen; to outsiders, the maneuverings must appear truly Byzantine.

To grasp the situation, one needs to keep in mind the main historical flashpoints for the English-speaking and French-speaking Canadian communities. Only then can one understand the current crisis and its external implications.

## History

Canada's present dualism began with England's defeat of France in the Seven Years War (1756-63) and the English conquest of France's North American possessions. For the English, the question was how to administer a colony of alien Europeans. The English did not consider the most extreme option available, deportation and dispersion, because they perceived France as weak and thus unlikely to try retaking Canada. So, after an unsuccessful attempt at assimilating the French, England adopted a conciliatory approach in the Quebec Act of 1774 — an act that established the basic pattern of Quebec society for the next century. In return for loyalty to English rule, the colony was granted considerable cultural autonomy through the retention of traditional laws, schools, language, and the preservation of the power of the Catholic Church and traditional elites. The long-term consequence was the preservation of a largely rural, Church-dominated society with a tiny English business class controlling commerce in Montreal.

The arrival of thousands of English loyalists in Upper Canada (the southern half of what is now Ontario), the growth of British immigration into all parts of British North America, and the union of the provinces of Nova Scotia, New Brunswick, Quebec, and Ontario under the British North America Act of 1867 all failed to result in the assimilation of Quebec. At the same time, nothing

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in the text of the British North America Act of 1867 gave the province of Quebec special treatment or a veto that the other provinces did not have.

With the revival of imperialism in the late nineteenth century, a clear difference of loyalties developed within Canada. Most English Canadians favored strong imperial connections with England, while French Canadians opted for greater autonomy from London. The two main parties, the Liberal and Conservative parties, developed differences on this issue, in part because of the Liberal party's strong political base in Quebec. Canada's prime minister in 1896, the Liberal party's Sir Wilfrid Laurier, accepted British sovereignty, but in a limited manner. Indeed, in their demands for greater independence and autonomy for the whole country, some French Canadians of the time were strong proponents of what would now be referred to as Canadian nationalism.

**Fear of losing language and heritage helped to create a fortress Quebec mentality and a cultural sense of being "Québecois."**

During World War I, the issue of divided loyalties came to a head in the conscription crisis of 1917. The passage of the Military Service Act of 1917 divided the country on French and English lines. Prime Minister Robert Laird Borden's ruling Conservatives, long the party of the "Imperial Tie," justified the need to introduce conscription because of the manpower shortage for the war in Europe and the failure of voluntary recruiting in Canada. But in 1918, when the government cancelled the many exemptions to military service, the streets of Quebec City erupted in riots resulting in five deaths and the military occupation of the city.

Having learned the appropriate lessons, the leader of the Liberal party during the Second World War, Mackenzie King, followed an extremely cautious path in introducing conscription ("Conscription if necessary but not necessarily conscription"). The Liberal party also furthered symbolic harmony by the practice of alternating its leadership (and thus frequently the prime ministership) between Anglophones, W.L. Mackenzie King (1921-26, 1926-30, 1935-48) and Lester Bowles Pearson (1963-68) and Francophones, Wilfrid Laurier (1896-1911), Louis Saint Laurent (1948-1957), and Pierre Elliot Trudeau (1968-1979, 1980-84).

Following World War II, two long-term structural changes drastically altered the outlook of French Canada. First, the long postwar boom of the 1950s and 1960s spilled over into Quebec, eroding the traditional rural agricultural society and bringing modernization, secularization, urbanization, and economic growth. Secondly, the technological revolution of radio and television was profoundly transforming the cultural landscape of Canada. Isolated communities across the country were rapidly being linked into a national cultural network. While in the United States these developments fostered nation



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building and the gradual attenuation of regional and communal differences, in Canada they generated apprehension and resentment. Particularly alarming to Quebec Francophones were statistics that showed French-Canadian children across the country abandoning the French language. Thus a fear of losing language and heritage helped to create as never before a fortress-Quebec mentality and a cultural sense of being "Québecois."

Politically, this emphasis on provincial concerns was seen in the 1962 victory of the reformist Liberal government of Jean Lesage, who set out to lead Quebec's "Quiet Revolution." The Lesage administration backed the nationalization of hydroelectric power, asserted the collective linguistic rights of French Canadians, and increasingly adopted the rhetoric of Quebec nationalism.

In July 1967, separatist sentiment in Quebec was given a vital stimulus when French president Charles de Gaulle on his visit to Montreal proclaimed, "Vive le Québec libre!" Two months later, René Lévesque, Liberal politician and leading advocate for Quebec's independence from English-speaking Canada, issued his "Option Quebec," which proposed that Quebec enact its own laws, collect taxes from its people, and have relations with foreign countries while forming an economic union with the rest of Canada. When the provincial Liberal party defeated his motion at its October party conference, he separated from the Liberal party and set in motion the events leading to the formation of the separatist Parti Québecois (PQ).

In 1970, a more radical separatist group emerged, the Front de Liberation du Québec (FLQ). On October 5, 1970, the FLQ kidnapped a British diplomat, demanding radio access and the freeing of "political prisoners." After a second FLQ cell kidnapped the provincial minister of labor, Pierre Laporte, Canadian prime minister Trudeau declared the War Measures Act, sent troops into Montreal, banned the FLQ, and arrested 260 suspected members. Shortly thereafter, the FLQ executed Pierre Laporte, but the British trade commissioner was eventually found and released.

Public perception of the passive role played by Liberal premier Robert Bourassa in the events of the October crisis, and the general polarization of Quebec politics in its wake, explain in part the defeat of the Liberals by the PQ in the 1976 provincial election. Lévesque's PQ government moved quickly to protect the language and culture of Quebec. In spite of the federal program of bilingualism, Quebec asserted its provincial rights to control education and language. Henceforth, French would be the language of all Quebec school children except for those of established English-speaking parents. Immigrants to Quebec thus had to send their children to French language schools. This "Bill 101" proclaimed a French-only language policy in the province and required that, even in English-speaking communities, only French signs would be allowed. In 1988 the Bourassa Liberal government used its constitutional powers to force English signs off exterior walls despite court decisions against the bill.

In 1980, Premier Lévesque fulfilled his party's pledge to hold a referendum on sovereignty for Quebec. After an emotional campaign featuring inter-



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vention by Trudeau and the federal Liberal party, the proposal for a "sovereignty-association" was defeated on May 20, 1980, by a 59.5 percent majority, with 52 percent of the Francophone population voting against it.

After this defeat, separatism slipped to the back pages. Opinion polls showed declining support and public apathy on the issue through most of the 1980s, despite Lévesque's refusal to ratify the Constitution Act of 1982. In 1985, with the defeat of the PQ and the return of Bourassa's Liberals to power, separatism seemed a dead issue.

**The Role of External Parties**

Separatist sentiment in Quebec has received support from outside parties — particularly France. As noted, President de Gaulle's emotional procession through Quebec in July 1967, culminating in his shout of "Vive le Québec libre!" from the Hotel de Ville in Montreal, was certainly a strong catalyst in the radicalization of the separatist movement. As long as de Gaulle was in office, France actively supported the Quebec cause through inflammatory cultural exchanges and diplomatic actions granting a degree of recognition to Quebec. Recent charges have even been made that de Gaulle conducted a secret war in Canada, granting subsidies to the PQ and training separatist terrorists on French territory.[1]

Quebec also used an expansion of authority in the realm of foreign policy to gain sovereignty. It began asserting some representation and treaty rights in the provincial areas of culture, language, and education as early as 1961. Premier Lesage opened "la maison du Québec" in Paris to foster cultural and economic ties, and in February 1965 Paris and Quebec signed a cultural entente on educational exchanges. Ottawa watched these developments with increasing disquietude, claiming that ultimately Ottawa should retain a monopoly on official contacts and treaty negotiations. In the case of the entente of 1965, a "covering" treaty was negotiated after the fact between Canada and France.

Active diplomatic contention erupted in the so-called War of the Conferences that began with the French education conference held in Gabon in 1968. The government of Gabon, undoubtedly at de Gaulle's bidding, sent its invitation to Quebec and not to Ottawa, which was unable to get an invitation to this conference despite a brief termination of diplomatic relations with Gabon. Shortly thereafter, however, at a Francophone conference in Zaire, Ottawa established the precedent of representation through a joint Canadian-Quebec delegation, including representation for the French-Canadian communities in Ontario and New Brunswick. Judicious use of Canadian foreign aid convinced most African governments in the Francophone world to accept Ottawa's joint delegation solution over protests from Paris.

With de Gaulle's departure from the scene, the pressure from Paris declined. Ottawa carefully watched attempts by the new PQ government to play

[1] *The Globe and Mail*, January 5, 1991.



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the Paris card in developing an independent foreign policy. But after the defeat of the 1980 sovereignty-association referendum in Quebec and the installation of President François Mitterrand's government in France, Socialist prime minister Pierre Mauroy of France made it clear in 1983 that France would not interfere again in Canada's affairs.

The question of possible interference by third parties in the current separatist crisis is an open but unlikely one. Diplomatic recognition is an important aspect of sovereignty, but most states will probably follow Ottawa's lead. In the event of a bitter separation, a "one China" scenario is possible with countries choosing relations with either Quebec City or Ottawa. In any case, the possibility of the provincial government using an incremental expansion of foreign policy authority as a device to gain sovereignty is ruled out by the rapid approach of the 1992 referendum deadline. The question of whether Quebec stays or goes will ultimately depend more on domestic perceptions of the current constitutional crisis.

**Domestic and Constitutional Factors**

The defeat of the sovereignty-association referendum in 1980 gave Trudeau an opportunity to advance his constitutional agenda: ending the British parliament's role in Canadian government (established in 1867 by the British North America Act), and adopting a "Charter of Rights and Freedoms." After contentious federal-provincial negotiations, the Canadian government issued the Constitution Act of 1982, which was supported by all the provinces but Quebec. This abstention by the PQ resulted in a constitutional limbo that the Brian Mulroney government hoped to resolve by bringing the Liberal premier Bourassa "on board" at a federal-provincial conference held in June 1987. The compromise constitutional package known as the Meech Lake Accord went some distance towards meeting Quebec's demands. First, Quebec was recognized as a "distinct society." Secondly, Quebec's concern that it had lost a traditional provincial veto on constitutional matters by the 1982 Act's amending formula was met by increasing the number of the subjects that required unanimity among the provinces, by granting a greater provincial role in Supreme Court appointments, and by limiting the federal role in immigration and federal spending power in areas of concern to Quebec.

While support for Bourassa and Meech Lake were strong in Quebec, objections from the rest of the country kept it from being approved by the June 1990 deadline. These objections can be roughly condensed into three classes.

*Distinguishing Quebec from the provinces.* The objection to classifying Quebec as a "distinct society" is particularly strong in the West and also in Newfoundland. The argument is that all the provinces are equal and thus any new concessions granted to Quebec should also be given to the other nine provinces. Of course, behind the claim of equity lies a smoldering fire of Anglophone resentment at bilingualism and government recruitment practices, and a general sentiment that Quebec gets special treatment in Ottawa.

*Distinguishing Quebec from societal groups.* Minority ethnic and soci-



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etal groups argue that they deserve just as much constitutional protection of their rights as Quebec and that any accords like Meech Lake should enshrine their interests also. Amerindian groups especially object to basing Quebec's claim to special status on its being one of two "founding nations." The result has been a bandwagon effect among a broad coalition of groups who oppose Meech Lake for particularistic reasons.

*Devolution of federal powers to the provinces.* Those Canadians (including Trudeau and many in the federal Liberal party) who favor a strong, centralized state fear that concessions to Quebec or the other provinces will set a dangerous precedent in weakening Ottawa. Transfer payments, federal standards, and social programs eventually will be jeopardized if the federal-provincial balance shifts too far to the latter. Additionally, the poorer provinces worry that the richer provinces in a decentralized Canada will be less willing to support equalization payments to them.

Meech Lake has thus been attacked by both the Left and Right. The great irony is that a process intended to consolidate the defeat of separatism in 1980 and reconcile Quebec has unleashed a flood of communal conflict.

**Four Basic Patterns of Resolution**

Because many in Quebec perceive the rejection of the Meech Lake Accords as a humiliation for their province, the Quebec Liberal government has defined a new and tougher bargaining position. Quebec has threatened to hold a referendum on its status in Canada by October of 1992 if no deal can be made with the federal government. Thus one of four scenarios is likely to develop.

*Status quo.* In hindsight, many in Canada wish Mulroney had left things alone. From 1982 to 1987, Quebec had granted de facto if not de jure recognition to the new constitution, and thus no major political or legal problems were arising. The matter of approval seemed purely symbolic. The negotiation process could now simply stalemate, as in 1982, leaving Quebec perhaps unhappy but still a part of Canada. Deadlock in the negotiations, followed by an indefinite cooling-off period, is perhaps the only route to return to the pre-Meech status — but only if Bourassa finds a way to break his referendum promise or if a referendum on separation is held and defeated.

*The Allaire Report.* In the aftermath of Meech's failure, separatist sentiment arose "out of nowhere" in Quebec to pre-1980 levels. Recent polls show half the population of Quebec supporting separation, making the PQ a major threat to Bourassa's Liberals. As a result, a consensus exists in Quebec that any second round of Meech must involve greater concessions from the federal government. Thus, in the Allaire Report of January 28, 1991, the Liberal party called for the original demand of recognition as a distinct society, as well as the transfer to Quebec and the provinces of many additional powers, and a constitutional veto. While Bourassa has suggested some flexibility on some of these proposals (such as the demand for jurisdiction over unemployment insurance), far greater concessions than Meech clearly are expected along with a radical decentralization of Canada's federal system.



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*The Tory proposals.* After very difficult deliberations in the Tory Cabinet a compromise set of proposals was presented on September 24, 1991. These proposals serve as the new federal bargaining position. The proposals would further decentralize Canada by shedding some responsibilities in immigration and manpower, telecommunications, tourism, mining, and forestry. The proposals open new areas of contention by calling for the removal of inter-provincial trade barriers and the enshrinement of property rights. Quebec has already complained that no mention is made of a provincial veto. The proposals, while not going as far as Quebec's demands, nonetheless represent a decentralization of federal power that is probably unacceptable to the federal opposition parties and many provincial leaders.

*Separation PQ-style.* If Quebec and Ottawa fail to reach a compromise, or a compromise is reached but defeated by the provinces or other societal groups by October of 1992, then Premier Bourassa will be expected to fulfill his pledge to hold a referendum on sovereignty for Quebec. With public opinion already evenly divided in Quebec, the emotional strain of another rejection by English Canada would probably result in a "Yes" majority this time around. Sovereignty may be defined differently by various Quebec groups, but the Parti Québecois version would include an independent Quebec that would create and enforce its own laws without reference to the Canadian Supreme Court, and collect and spend its own tax revenues. International treaties and representation would be handled exclusively by Quebec. Along with tax revenues would come the right to raise tariffs, although Quebec would likely seek a customs union with Canada and continuation of the Free Trade deal with the United States. Nonetheless, Quebec would have claimed the right to impose tariffs against the rest of Canada, a right that would certainly be exercised if a resentful Canada refused entry of Quebec goods. Jacques Parizeau, current leader of the PQ and Quebec's former finance minister, has suggested that Quebec might retain use of the Canadian dollar but only in the event (unlikely from the Canadian side) that a sovereign Quebec had some representation and influence over the Bank of Canada. Such a politicization of the Bank would be unacceptable to English Canada. In reality, a separate national bank with control over local interest rates and a separate currency would probably soon emerge. Defense would be another contentious area, but if the devolution of the Soviet Union serves as a model, the provincial police would undoubtedly grow into a Quebec militia.

The PQ position spelled out in the sovereignty-association proposal of 1980 is that an autonomous Quebec should renegotiate its economic relations with Canada as an equal party. In this way, free trade, a customs union, and a unified currency could be maintained, along the lines of the European Community. But the political landscape of Canada makes this implausible. Using the 1988 election as a reference point, the withdrawal of Quebec's parliamentary representatives from Ottawa could bring to power a nationalist, anti-free trade Liberal government or a socialist New Democratic party (NDP) government, either of which would be resentful of Quebec separation and less inter-



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ested in North American free trade. Thus an independent Quebec that claimed complete sovereignty in theory would probably soon be using all its sovereign rights in practice.

How likely is each of the above scenarios at this time? The possibility of a compromise, as in the Allaire Report or the Tory proposals, seems unlikely. Even if Quebec and Ottawa reach a bilateral compromise, with the federal government devolving even more powers, or the Quebec Liberal government retreating from some of its demands, the result must still be ratified in Quebec by referendum and in the provincial legislatures as with Meech. This process would involve too many political actors and societal groups with a veto. Thus, the western provinces and Newfoundland will veto a vague distinct society clause; the Maritimes and the new NDP provincial government in Ontario will veto significant decentralization; several provinces will veto the abolition or weakening of the Senate; and the Amerindians will attempt to veto a package that avoids their demands for sovereignty. And Quebec will refuse anything less. Ironically, the federal government's attempt to "open the process" (for example, through the Spicer Commission, which held televised town meetings throughout the country) and engage in participatory democracy (in response to its alleged elitist behavior in the Meech Lake accord) has only served to politicize issues, increase the complexity of interests to be aggregated, and narrow the negotiation space for compromise. A Canada without Quebec therefore seems extremely likely.

**Canadian Foreign Policy without Quebec**

The impact of Quebec sovereignty on Canadian foreign policy will be great. As of 1990, Quebec's population of 6.8 million represented just over a quarter of Canada's population of 26.7 million. The province's "gross national product" of US$118 billion represented just under a quarter of Canada's gross national product (US$500 billion). Thus, Quebec's separation would mean a major diminution of Canadian national power.

Indeed, in terms of population, a Canada-without-Quebec of 20 million would fall just behind Taiwan (20.5 million) and just slightly ahead of Australia (17.3 million) By gross national product, Canada-without-Quebec (at US$382 billion) would be in the same league as China (US$393 billion), Brazil (US$375 billion), and Spain (US$358 billion). Assuming that the Canadian economy doesn't fall into a long decline, the economic change would not be overly dramatic. The key question is whether Canada would be displaced by Spain in the G-7 (Canada, France, Germany, Great Britain, Italy, Japan, and the United States) and other international economic forums.

For a sovereign Quebec, however, the change would be substantial. On the basis of population, Quebec (at 6.8 million) would fall behind the Dominican Republic (7.3 million) and Bolivia (7.5 million). Indeed, Quebec would soon be passed by Haiti, which is now at 6.6 million. Its reduced GNP of $118 billion could be compared to Finland's (US$110 billion) or Denmark's (US$105 billion).



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The relationship between economic capability and power can best be seen in important global financial organizations where voting is weighted by economic size. The International Monetary Fund, the World Bank, and the Inter-American Development Bank all use such weighted voting. A reduction in Canada's GNP would result in a reduction in its vote and thus in its ability to protect its economic interests.

For a Canada without Quebec and a sovereign Quebec, then, the two most important foreign policy areas will be security and economic issues. Ironically, events of the past five years have contrived to give Quebec a window of opportunity in each. In 1980, a sovereign Quebec faced a potential military threat from the USSR and a protectionist threat from the United States. The disappearance of the USSR and the North American Free Trade agreement diminish both concerns.

*Security issues.* Would a sovereign Quebec continue to be protected by the Canadian Forces and, if not, would it remain in Canada's two major defense pacts, the North Atlantic Treaty Organization and the North American Aerospace Defense Command (NORAD)?

In the early 1980s, strategic concerns over a growing Soviet nuclear capability, the possibility of a Soviet first strike, the development of cruise missiles, and reports of Soviet penetration into Canadian airspace over Labrador and northern Quebec all generated a renewed cold war mentality that heightened the importance of the NORAD agreement. But with the rapid collapse of the Soviet military threat, the growth of superpower arms control, and the removal of the first-strike fear, Canadian defense priorities have entered a period of rapid retrenchment.

Indeed, imagining what Quebec would do with an independent military establishment is somewhat difficult. In the absence of Anglophone versus Francophone communal violence, a Quebec militia would probably still be needed for domestic disorders triggered by Amerindian groups. But it is doubtful that Quebec would desire an independent military presence in Europe through NATO.

What would Quebec do with an air force or navy? Some coastal patrol boats might be useful in the Gulf of St. Lawrence, and sovereignty protection for northern Quebec would require a new base in that region. A contentious sovereignty-economic issue might arise in dividing up the Gulf of St. Lawrence, which could be further aggravated by declining fish stocks or a separate Labrador. An air force for Quebec would seem an expensive and unnecessary luxury.

Beyond a land-based militia, a financially strapped Quebec government would be tempted to lease air and sea protection from Canada or the United States. The latter option becomes more likely if a resentful Ottawa refuses protection or a future federal NDP government concludes that Canadian participation in NORAD is no longer needed. Washington might find itself enmeshed in complicated and asymmetrical three-way relations or even at times playing Canada and Quebec against each other.



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If defense relations sour between Ottawa and Quebec, Canadian Forces would be withdrawn to Canadian soil and Quebec bases would be closed, with the usual local economic hardship. Halifax, in Nova Scotia, would be happy to regain its status as the main base for the Canadian Atlantic fleet, and Winnipeg contractors could no longer complain about favoritism to Quebec on defense spending. Quebec residents in the Canadian Forces would be faced with the tough decision of leaving Quebec or leaving the Canadian Forces. Federal sentiment is strong in the Canadian Forces and a high percentage (more than 90 percent) would probably stay with Canada, despite efforts to woo them by the Quebec nationalists. The Forces in general would undoubtedly shrink in size to reflect the new population base, but this reduction would be overtaken by the larger scale-down caused by the end of the cold war.

**Whether a sovereign Quebec would be welcome in NORAD and NATO would depend on the attitude of Ottawa.**

Both the PQ and Liberal party would probably support separate Quebec membership in NORAD and NATO. Whether they would be welcome in those organizations would depend on the acrimony of the separation and the attitude of Ottawa.

*Economic issues.* The second window of opportunity that has opened for Quebec is the negotiation of the North American Free Trade agreement. The 1980 referendum was defeated in part on economic considerations: many in Quebec said they voted their pocketbooks rather than their hearts. Faced with economic uncertainty and the worst-case scenario of being left only with the small Quebec market, the business community voiced strong objections to separation. Now, with possible access to all of North America in the offing, the threat of economic retaliation from Ottawa seems more unlikely and less consequential. Thus, one hears at least some Québecois business leaders endorsing separatism in 1991.

Complications arise from dividing economic assets and liabilities. For the national debt, at least, a value can be readily affixed. In March 1991, the level of debt stood at US$287 billion, and one possible division would be to assess each citizen roughly US$10,000, leaving Quebec US$68 billion and Canada-without-Quebec US$199 billion.[2] Because the tax base of each independent entity would be smaller and less diverse, however, the potential buyer of Canadian or Quebec debt would face greater risk and hence demand a higher return. Interest rates would have to go up, particularly in Quebec, a process that would increase the debt burden and slow down economic growth.

Sorting out assets is a vastly more difficult task. Should Ottawa's crown corporations and vast land holdings in the North be included in the settlement?

[2] *The Globe and Mail,* March 26, 1991.



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Should Ottawa make the case, as the Soviets did initially to the Baltics, that all the years of transfer payments and investments in the province should be repaid in some way? Parizeau has suggested that Quebec would be satisfied with simply taking control of federal assets within the present boundaries of the province. Certainly, that solution would be much less complicated.

The general economic health of Quebec and Canada after division is now a matter of intense debate. The long list of imponderables makes resolution of the debate at least as difficult as predicting when the current recession will end. Indeed, this very uncertainty has led the Canadian Bond Rating Service of Montreal to place Quebec bonds on a credit alert. More crucial will be the assessments of the big American credit rating institutions and the large Japanese brokers. Their assessment in turn depends on predictions from economists, and here the findings have been quite contradictory. For instance, a Fraser Institute study by Patrick Grady predicts depressed property values, a new flight of corporate headquarters and Anglophones from Montreal, a crisis of business confidence, a paucity of new investments, and a long-term recession.[3] On the other hand, a recent study by the Economic Council of Canada suggests that most of the negative economic effects will be short term.

What is clear is that Quebec will have to forgo a net federal-provincial transfer of as much as $4 billion,[4] a price that most separatists have long accepted. Furthermore, Ottawa would be spared the divisive process of allocating a large share of all federal contracts and concessions to Quebec. These two sources of savings (plus supposed savings on reduced bilingualism) have led some conservative Anglophones to argue that Canada would be economically better off without Quebec.

Ottawa has recently raised the ante by suggesting that Quebec should not assume economic cooperation from either Canada or the United States. It is argued that Quebec will have to re-negotiate admittance to the Free Trade agreement, an action that will allow the Americans to reopen contentious issues. Likewise, a hostile Canada might try to block Quebec's admission to other economic forums, including the Organization for Economic Cooperation and Development, the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade.

If Quebec's break from Canada is acrimonious, the result could be economic rivalry or trade war. Even a friendly separation may be scuttled by serious economic policy disagreements. Consider the following economic scenario. Canada agrees to Quebec's separation and to an economic customs union. Deprived of their political base in Quebec, the Progressive Conservatives lose the next federal election to either a Liberal or NDP government, which then demands Canada's withdrawal from the Free Trade agreement. Faced with the choice of the Canadian or American market, Quebec opts to remain

[3] *The Globe and Mail,* September 21, 1991.
[4] *The Globe and Mail,* January 14, 1991.



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with the Americans. Tariff barriers then necessarily rise between Canada and Quebec.

**The Territorial Issue**

Sovereign states possess internationally recognized territorial boundaries. In the case of Quebec, numerous complicating factors exist that may come into play if the mood of separatist negotiations turns ugly or violence breaks out. Historical questions arise as to Quebec's claim to Labrador and to Northern Quebec. Northern Quebec was added to the province only in 1912, and Quebec's claim to Labrador was recently raised by a conservative member of Parliament. Parizeau has suggested, however, that the PQ is content with the current provincial boundary and will accept nothing less.

Still, disorder with the Anglo or Amerindian communities could result in significant changes. Under such conditions, the English parts of the "Eastern townships" and Montreal might want to remain in Canada. If linguistic confrontation spilled over provincial borders, Francophones in eastern Ontario or even (in the extreme case) Acadians of northeastern New Brunswick might desire to join a separate Francophone entity. But a much more likely threat to the current borders comes from the Amerindian residents of Quebec.

Events at the Mohawk community of Oka in the summer of 1990 soured relations between the province of Quebec and the Amerindian communities of Canada and raised the issue of how the Indians would be treated within a separate Quebec. Recently, the Cree of northern Quebec have suggested that they will refuse to allow their territories to be separated from Canada. The legal basis for such a division from Quebec would lie either with a claim that Quebec has failed to fulfill its side of the agreement that allowed construction of the massive hydroelectric project on the James Bay, or a more fundamental claim to sovereignty over their ancestral lands in the North.

The partition of Quebec along these lines is particularly dangerous because once the precedent of territorial division along ethnic lines is established, other communities may demand territorial secession. For instance, the Innuit (Eskimo) of the North might feel they have more in common with their cousins in Greenland than with the rest of Canada. In the English-speaking community there is also some threat of further secession on regional lines. The West has seen the formation of small separatist parties from time to time and occasionally there has been talk of Labrador leaving Newfoundland.

Quebec's departure also poses a serious problem through the physical separation of Atlantic Canada from the rest of the country. Because of the economic dependency of the Atlantic region on equalization payments from Ottawa, no immediate demands for secession are likely. Indeed, of greater concern is whether, in a dramatically altered federalism, the richer provinces (for example, Alberta) will still be willing to support transfers of wealth. Loyalty to Canada is still strong in all provinces outside Quebec, but the fear is that provinces territorially fractured and plunged into a long recession might begin to consider more stable and permanent political relations with the United States.



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**Conclusion**

Despite numerous pleas for more time, the Quebec-imposed 1992 deadline is rapidly approaching. Weary of this unending wrangle, many Canadians now hope that the long question of Quebec's status in Canada will at last be settled one way or the other. In a state of constitutional shell-shock, many are uninterested in or unaware of the foreign policy dimensions of a partition of the country. All considered, the role played by third parties is apt to be quite modest. Mulroney may elicit a few more negative comments from President Bush on Quebec separation, but, on the whole, most of Canada's allies will try to stay out and hope for the best. However, Quebec might turn for diplomatic support to Paris, especially if a Gaullist government is elected in 1994. It is hard to envisage such worst case scenarios as were considered in the winter of 1991 at a security conference in Toronto, for example, a United States military intervention.

Most of the external implications of separation are those of diminished prospects economically and diplomatically for the resultant states. Will Canada lose at last its access to the meeting rooms of the powerful? Will it still be able to play a major role at the United Nations or in peacekeeping operations? Will Quebec be able to find markets for its goods and an international role, or will it become an isolated garrison state in a hostile North America? Or will both Canada and Quebec be marginalized, impoverished, and broken further? Facing such uncertainty, it is impossible not to be nostalgic for the pre-Meech Lake Accords status quo. One small path leads through the labyrinth to either a negotiated deal (which is unlikely) or collapsed negotiations followed by the defeat of the sovereignty referendum in Quebec. The latter would lead to a much needed moratorium on all constitutional discussion (which is only slightly more likely). Ironically, it appears that for Canadian unity, the best solution is now a non-solution.



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# How Democracy Fares

Following the collapse of the Soviet bloc in 1989 and the creation of fledgling democracies within its remnants, some analysts began to speak of a new era in which democracy had gone on the march. But the advance of democratization has been building for more than the past three years, and it extends further than Europe. Not long ago, Samuel P. Huntington observed that, since 1974, thirty formerly authoritarian countries have become democracies, doubling the number of democratic states.

Does this mean that democracy is proceeding to some final triumph? Huntington prefers to speak of democracy's recent victories as constituting a "Third Wave" of democratization. And within that term lies a caution against believing optimistically in any unbroken march. According to Huntington's calculations, two previous waves of democratization occurred from 1828 to 1926, and from 1943 to 1962.[1]

Nor is the advance of democracy merely discontinuous. Rather, in Huntington's words, it is a process of "two steps forward, one step back." Previous advances or waves have been followed by periods of reversal in which the number of democratic states declined. Between the first and second waves, for example, the number of democracies was halved by the rise of fascism and national socialism. Between the second and third waves, many former colonies that began with feeble attempts at democracy fell to the control of military juntas and authoritarian communism.

And even within periods when the wave of democratization was moving forward, individual democracies have failed. The brief and tenuous hold of democracy in Russia between the abdication of the tsar and the Bolshevik Revolution, and the short-lived provisional republic in Czechoslovakia between the end of World War II and the Communist coup of 1948 provide examples — both occurred during one of Huntington's waves.

This history suggests that the current wave of democratization will also suffer short-term defeats as it continues, and that it will, at some point, likely face a major ebb tide. Thus, for policy makers and political analysts alike, the interesting question is: Which trend are we seeing today? Are we still in the

[1] Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991); see also Samuel P. Huntington, "Democracy's Third Wave," *Journal of Democracy*, Spring 1991, pp. 12-34.



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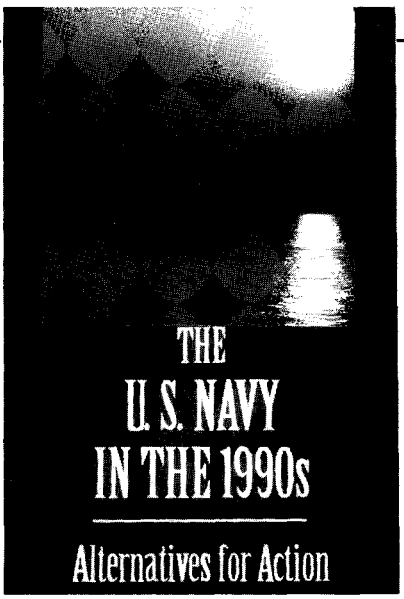
midst of a long-term movement toward democracy, with only incidental setbacks? Or are other political movements now ascending, working towards a third decline in democracy?

To help answer such questions, the following two articles examine seven different struggles for democracy, ranging from the Balkans to the Third World. Sabrina P. Ramet assesses the prospects for democratic forces in Romania, Albania, Bulgaria, and Slovenia. Conversely, John Rees investigates the possibility that communists may come to rule in Peru, South Africa, and among the Kurds.

But whatever these difficult cases may suggest about historical and global trends, they should not be taken as a cause for pessimism among democrats, for trends do not determine cases. History, says Huntington, "does not sail ahead in a straight line, but when skilled and determined leaders are at the helm, it does move forward." — The Editors

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*How Democracy Fares*

# Balkan Pluralism and Its Enemies

by Sabrina P. Ramet

Within postcommunist Eastern Europe, the northern region (eastern Germany, Poland, Czechoslovakia, and Hungary) has generally fared better than the Balkans (Albania, Bulgaria, Romania, and the successor states to Yugoslavia) in efforts to establish democratic societies. Why? What specific obstacles do the Balkan states face in their transition to democracy? Are these obstacles surmountable, and, if so, under what conditions? Lastly, how can Washington assist the Balkan states in creating democratic societies?

Discussion of these questions must currently be limited to the situations prevailing in Romania, Albania, Bulgaria, and Slovenia. The upheaval in Yugoslavia prevents a useful comparison of its war-torn republics with the more stable countries in the region.

In comparing the Balkan states' progress and prospects, democracy will be taken to mean political pluralism, and to entail the satisfaction of ten distinct conditions. (See sidebar on page 549.) For convenience, however, attention will be paid chiefly to four indicators: the health of representative institutions, the strength of civil liberties, the degree of social stability (especially ethnic harmony), and the efficiency of the economy.

In addition to such internal considerations, though, one should note at least in passing that external incidents could overwhelm democracy in many Balkan states. Of particular concern is the lack of legitimate borders in the region. Romania is eyeing Moldova and parts of Ukraine with thoughts of annexation. Albania has declared an interest in Kosovo, now part of Serbia. Even Hungary let slip some statements (later retracted) that border adjustments in the Serbian region of Vojvodina might be appropriate if Yugoslavia continued its downward spiral into chaos.

## Romania

Of the four countries discussed, Romania's prospects for establishing a stable democratic society are perhaps the most gloomy. Indeed, one wonders

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how long the status quo can last before Romania is engulfed in a new revolution.

*Representative institutions.* The current problems have their roots in the very revolution that ended the Ceauşescu regime in December 1989. Unlike the situation in Czechoslovakia (where power was transferred to a broad coalition of anticommunist forces), or in Bulgaria (where a weakened Communist party itself began the process of disestablishing the dictatorship), Romania's revolution was stolen.[1] The ruling National Salvation Front (NSF) was neither the organizer of the revolution nor did it represent the democratic opposition in Romania. Many Romanians have complained that the NSF and its leader, Ion Iliescu, have done little to move Romania towards genuine democracy. A poll of 1,234 persons conducted by the Romanian Institute of Research at the end of 1990 found that only 28.3 percent of respondents expressed full con-

**Romania had its revolution stolen. The ruling party neither organized the revolution nor represented the democratic opposition.**

fidence in President Iliescu, with an even smaller proportion (24.6 percent) expressing full trust in the NSF. Moreover, many charge that, in reality, the NSF is the organizational vehicle for a wing of the old Romanian Communist party. Indeed, a large number of former Romanian Communist party functionaries can be found today in the upper echelons of the Front.[2]

Since the revolution, discontent with the NSF and its program has been expressed in repeated mass protests, large-scale strikes, and collective violence. In June 1990, President Iliescu mobilized coal miners to rough up students and opposition members in the capital. As Iliescu soon discovered, however, vigilantism is difficult to control. When the miners converged on Bucharest in September 1991, they came not as allies of the regime but as its critics, and demanded the resignation of President Iliescu. On the latter occasion, the miners and the security police clashed violently for over two days. Ultimately though, the miners' protest failed, and instead of Iliescu's resigning, Prime Minister Petre Roman was forced (allegedly by Iliescu) to step down.[3]

The Romanian political scene has been unable to avoid rifts and splits. In July 1990 the National Liberal party, viewed earlier as an important opposition party, split in two. The National Peasant party also suffered a split at this

[1] This argument is made by Anneli Ute Gabanyi in *Die unvollendete Revolution: Rumänien zwischen Diktatur und Demokratie*, 2d ed. (Munich: Piper, 1990).

[2] Anneli Ute Gabanyi, "Präsident Iliescu gegen Premier Roman: Frontenbildung in der 'Front der Nationalen Rettung'," *Südost Europa*, September 1991, p. 425.

[3] *Neue Zürcher Zeitung* (Zurich), September 27, 1991; *Neue Zürcher Zeitung*, September 28, 1991; and *The New York Times*, September 28, 1991.



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time when dissidents in the organization blamed the party leadership for the party's poor electoral showing.

The NSF has likewise experienced some internal conflicts and rifts. In early 1991, serious differences were evident within the NSF between a group associated with Prime Minister Petre Roman (who advocated a quickening of reform) and a group associated with Iliescu and Senate president Alexandru

**What Democracy Entails**

For the purposes of this article, democracy will be taken to mean political pluralism, and to entail the satisfaction of five situational preconditions and five institutional preconditions. The situational preconditions are: (1) a modicum of economic prosperity; (2) general system stability and ethnic harmony; (3) agreement on the rules of the game; (4) the presence of valued and effective institutions; and (5) general popular contentment.[1]

The institutional preconditions are: (6) free elections for a popular mandate, with elected officials held responsible to the citizenry; (7) the existence of an effective, independent judiciary; (8) a depoliticized bureaucracy functioning according to written rules; (9) legal guarantees (usually of a constitutional nature) of basic rights; and (10) a free press.[2]

These preconditions are interdependent, and, accordingly, the weakening of any single precondition would involve the weakening of several others, eventually endangering the entire set. This means, for example, that the stabilization of valued and effective institutions requires economic prosperity; and, the reverse, economic prosperity requires the presence of stable, valued and effective institutions.

Stability and democracy are linked through the principle of legitimacy. To be sure, a stable government need not be democratic to endure, but it must be legitimate. On the other hand, democratic government that does not endure would not be considered stable; nor would a government be considered democratic if it should be shown to be illegitimate. By definition, democracy cannot function against the wishes of its citizenry. Moreover, stability requires that popular political participation remain below the threshold of the capacity of political institutions to channel that participation. As publics increasingly go around institutions, rather than through them — in effect, taking politics to the streets — the legitimacy and efficacy of the institutions are increasingly called into question. When this process escalates to the point of civil strife, as happened in Yugoslavia between 1989 and 1990, the ability of the central government to maintain its authority is called into question.

[1] The first precondition is from Aristotle's *Politics*; the second from Alvin Rabushka and Kenneth Shepsle, *Politics in Plural Societies: A Theory of Democratic Instability* (Columbus, Ohio: Merrill, 1972); the third from Guglielmo Ferrero, *The Principles of Power* (New York: G.P. Putnam's Sons, 1942); the fourth from Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968); the fifth from Crane Brinton, *Anatomy of a Revolution* (New York: Vintage Books, 1964).

[2] The sixth, eighth, and ninth preconditions come from Valerie Bunce, "Rising Above the Past: The Struggle for Liberal Democracy in Eastern Europe," in Sabrina Petra Ramet, ed., *Adaptation and Transformation in Communist and Post-Communist Systems* (Boulder, Colo.: Westview Press, *forthcoming*).



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Birladeanu (who opposed any quickening of reform). By mid-September 1991, the NSF had lost seventeen deputies in the parliament, some of them joining a rival organization, the Social Democratic National Salvation Front. But the most serious rift affecting the NSF came with Roman's September resignation from the prime ministership. In the wake of his resignation, Roman issued a statement criticizing Iliescu, and vowing to return to the prime ministership. Roman immediately began courting local NSF organizations to woo them away from Iliescu. Rumors circulated that Roman had his eye on more than the prime ministership, and alleged that he was considering the possibility of contesting the presidency, against Iliescu, in the next elections. The opposition paper, *Romania Libera,* reported that Iliescu met with NSF Senate majority leader Vasile Vacuru, a close confidant, plotted a strategy and vowed, "Roman must be politically annihilated."[4] But Roman succeeded in asserting his leadership over a large portion of the NSF, forcing a split in the party (which occurred in March 1992).

Set against the backdrop of these sundry rifts has been the proliferation of political organizations on both the far left and the far right. On the left, attention has been focused on the Socialist Labor party (SLP), which was set up in November 1990. The SLP (which is essentially a revival of the old Communist party) is headed by Ilie Verdeţ, a long-time, high-ranking official in the Romanian Communist party and prime minister (under Ceauşescu) from 1974 to 1982. The NSF banned all communist organizations on January 12, 1990, only to rescind that decision the following day. Anti-communist sentiment has run high among the population, however.[5]

On the right, demands have been made for the restoration of the monarchy. A May 1991 poll showed that 17 percent of Romanians polled favored a restoration of the monarchy, with 82 percent preferring a republic.[6] But the appeal of monarchy in Romania should not be confused with nationalist chauvinism. On the contrary, the monarch has appeared to some as an "honest broker." For example, Senator Geza Szoecs, a spokesman for the Hungarian Democratic Union, stated that

> King Michael is perhaps the only living true Romanian personality. Nobody can challenge his extraordinary role from 1944 to 1947. He displayed formidable political wisdom and clearsightedness. I do not see why and by whom his expulsion could be advocated. He and his entourage fought to defend certain democratic values. From 1944 to 1947, the Hungarian minority was best able to develop its structure of cultural, economic, and political institutions.[7]

Despite the proliferation of political parties, the NSF retains a strong grip on power. Nonetheless, opposition parties have shown some resilience,

[4] Quoted in Michael Shafir, "'War of the Roses' in Romania's National Salvation Front," Radio Free Europe/Radio Liberty (hereafter RFE/RL), *Report on Eastern Europe,* January 24, 1992.

[5] Dan Ionescu, "The Communist Party Re-emerges under a New Name," in RFE/RL, *Report on Eastern Europe,* December 21, 1990, pp. 22-24.

[6] Mihai Sturdza, "Calls for the Restoration of the Monarchy Intensify," in RFE/RL, *Report on Eastern Europe,* June 14, 1991, p. 18.

[7] Quoted in Ibid., p. 18.



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most notably by developing coalitions. After the first round of presidential elections in May 1990, the Liberals, the National Peasant party, and the Social Democrats set aside their differences and formed a united front against the NSF. Later, in August 1990, these three parties, together with the Hungarian Democratic Union, formed the Democratic Anti-totalitarian Forum. Among other things, the Forum called for recognition of the collective rights of the national minorities.

In November, another opposition coalition, the Civic Alliance, was officially established. The Civic Alliance demanded a purge of the prosecutor's office, the judiciary, the police, and the Romanian Information Service. In July 1991, the Civic Alliance created a formal party, the Party of the Civic Alliance. This party — later renamed the Democratic Convention (DC) — subsequently swept a number of local elections in February 1992, including the election in Timisoara, where the DC candidate collected 60 percent of the vote.[8] Because of the DC's strong showing in the February elections, some observers such as Earl Pope of Lafayette College predicted that Ion Iliescu and the NSF might be swept from power in the elections now scheduled for October, 1992. But though the Democratic Convention has built up grass roots strength, it is flawed by the lack of a strong leader.

*Civil liberties.* Romania has drafted a new constitution, passed into law on November 21, 1991. This new constitution provides explicit guarantees of political pluralism and of cultural and religious rights for minorities. The constitution also guarantees the equality of citizens, human rights as established in the Universal Declaration on Human Rights, the priority of international treaties on human rights over any Romanian laws (in the event of conflict), the right to privacy, the confidentiality of correspondence, and freedoms of conscience, expression, assembly, and association (albeit with a specific ban on secret associations). Other provisions include protection of the right to private property, a guarantee of judicial independence, and a guarantee of freedom of the press.[9] Despite these guarantees, the main opposition groups (including the National Peasant party, the Hungarian Democratic Union of Romania, and the National Liberal party) opposed the provisions relating to the political system and the legal order, which they complained were still rooted in political assumptions and formulas of the communist era.[10]

Moreover, while the communist secret police, the Securitate, was formally abolished in February 1990, a successor organization, the Romanian Intelligence Service, was quickly created that same month. Officials in the new service conceded that some 35 percent of the former 15,324 officers of the Securitate had been hired by the service.[11] The Romanian Intelligence Service

[8] *Neue Zürcher Zeitung,* February 13, 1992.

[9] This summary is based on the complete text of the constitution, as published in "Constitution of Romania," Foreign Broadcast Information Service (hereafter, FBIS), *East Europe,* December 23, 1991, from *Monitorul Oficial* (Bucharest), Part I, No. 233, November 21, 1991, pp. 1-24.

[10] *The Financial Times,* November 22, 1991.

[11] Nestor Ratesh, *Romania — The Entangled Revolution* (Westport, Conn.: Praeger Publishers, 1991), p. 140.



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was subsequently granted authority to make use of the archives and files accumulated by the old Securitate — despite stormy contention in the Romanian Senate.[12]

One of the major controversies of 1990-91 centered on government efforts to pass a press law, and corresponding opposition by journalists to proposed government drafts. The first draft was published in the first issue of the journalists' official publication, *Curierul Ziaristilor* (*Journalists' Mail*). The Group for Social Dialogue pointed out that the draft seemed to be modeled on the Ceauşescu regime's 1974 press law. The draft required that journalists exercise their freedoms in "good faith" and banned publication of any materials that could induce citizens to break the law, that provoked violence, that hurt people's national or religious beliefs, or that could alarm the public. Moreover, Articles 31, 32, 41, 43, and 52 provided for "administrative, financial, civil, and penal sanctions" against wayward journalists.[13] The uproar in response to this draft was sufficient to persuade the government to withdraw the draft law on October 2, 1990.

The government issued a second draft the following February, but once again journalists protested. Among other things, this second draft would have provided stiff penalties for publishing material considered defamatory to the president of Romania, the government, the army, the courts, or any other organ of public authority, as well as for any information judged to be false.[14] The U.S. State Department supported the journalists by registering the U.S. government's concern over the draft law. On March 19, 1991, the government withdrew the second draft.

The government then adopted a different strategy. On June 11, 1991, the government set up an Information Department directly subordinate to the prime minister. Although the stated intent of this agency was "to provide useful information, necessary to the government . . . and its decision-making process," and "to inform correctly the public at home and abroad about the activity of state institutions,"[15] journalists saw a repressive design in the establishment of this office. The Professional Journalists' Union had already gone on record as opposing the creation of this office, which it construed as "an attack on the freedom of the press . . . subordinat[ing] the independent press to the government's own interests."[16]

*Ethnic Harmony.* Romania has its share of anti-liberal sentiment. The two chief parties on the right, Vatra Romaneasca (Romanian Hearth) and Romania Mare (Greater Romania) have churned out anti-Hungarian and anti-Jewish

[12] "Senate Adopts Intelligence Service Bill," FBIS, *East Europe*, October 8, 1991, from *Rompres*, October 7, 1991.

[13] Crisula Stefanescu, "The New Press Law," RFE/RL, *Report on Eastern Europe*, September 21, 1990, p. 27.

[14] Crisula Stefanescu, "Draft Press Law Withdrawn a Second Time," RFE/RL, *Report on Eastern Europe*, April 5, 1991, p. 21.

[15] Quoted in Crisula Stefanescu, "Information Department Set Up," in RFE/RL, *Report on Eastern Europe*, October 25, 1991, p. 19.

[16] Quoted in Ibid., p. 20.



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propaganda and have incited violence against Hungarians, Jews, and Gypsies. Founded in February 1990, Vatra Romaneasca was largely responsible for the escalation of ethnic violence in March 1990 in Transylvania, which has a large ethnic Hungarian population.[17] Romania Mare, set up in May 1991, grew out of a weekly publication of the same name launched on June 8, 1990. *Romania Mare* played on ". . . traditionalist authoritarian currents and became the champion of Ceauşescu nostalgia, which is based [in part] on the population's refusal to allow equal deprivation to be replaced by selective deprivation."[18] By October 1990, *Romania Mare's* circulation had reached six hundred thousand, making it one of the most influential weeklies in the country.

In Transylvania, interethnic tensions are just barely below the surface, and ethnic prejudice, where it persists, provides a seedbed for authoritarian attitudes.

*The economy.* Overcoming the economic morass, and specifically, implementing a successful privatization program, is key to the prospects for stability in Romania. A survey of 2,190 adults conducted in September/October 1990 found that privatization enjoyed the support of 67 percent of Romanians, with only 17 percent opposed. Of those surveyed, 49 percent wanted a faster pace of transition to a market economy.[19]

But the challenges on the economic front are formidable. Industrial production declined by 17 percent between 1990 and 1991.[20] Exports declined 277 percent and imports 34.2 percent during the same period.[21] Prices climbed 220 percent between October 1990 and October 1991, while the country experienced declines in coal extraction and crude and natural gas extraction. Official figures reported that there were some 266,000 unemployed persons as of January 1992,[22] although the actual figure may be much higher.

The Iliescu regime tried to cope with this situation by passing a land law in February 1991 that provided for the transfer of farmland to private hands, and by passing a law on privatization the following July that set up the structure for the privatization of industry. Under the latter legislation, 30 percent of indirect interest in commercial companies would be distributed among Romanian citizens free of charge, with the remaining 70 percent sold to private individuals over the course of several years.[23] Other measures have included freeing prices

[17] For details, see Dennis Deletant, "The Role of *Vatra Romaneasca* in Transylvania," RFE/RL, *Report on Eastern Europe,* February 1, 1991.

[18] Quoted in Michael Shafir, "The Greater Romania Party," in RFE/RL, *Report on Eastern Europe,* November 15, 1991, pp. 25-26.

[19] "Poll Shows Most Citizens Favor Privatization," FBIS, *East Europe,* October 10, 1990, from *Rompres,* October 9, 1990.

[20] Comparing January-June 1990 with January-June 1991. "Economic Decline in First Half of 1991 Reported," FBIS, *East Europe,* August 7, 1991, from *Rompres,* August 7, 1991.

[21] Again, comparing January-June 1990 with January-June 1991. "Industrial Decline in First Half of 1991 Reported," FBIS, *East Europe,* August 12, 1991, from *Rompres,* August 12, 1991.

[22] "Ministry Releases Unemployment Figures for 1992," FBIS, *East Europe,* January 8, 1992, from *Rompres,* January 7, 1992.

[23] *The Financial Times,* October 17, 1991.



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on all but a few basic items (electricity, heat, housing, and food), causing them to rise to market levels, and, in February 1992, reimposing limits on purchases of hard currency.

Thus, marketization has gathered some momentum, despite economic problems. By August 1991, some 157,397 private enterprises were in operation, including 1,500 joint enterprises.[24]

**Albania**

In establishing a stable and free society, Albania is weak and is hampered by continuing chaos.

*Representative institutions.* Since the large-scale protests of December 1990, sparked by students at the University of Tirana, Albania has been in a state of prolonged and deepening chaos. In December 1990, violent clashes in the towns of Elbasan, Shkodër, Kavaje, and Durrës led to the arrest of 157 persons and the sentencing of 26. The following February, the students went on strike again to support their demand that the Enver Hoxha University of Tirana be renamed; Albanian miners, who had just recently formed an independent union, went on strike in support of the students. A subsequent strike, involving 350,000 workers, broke out on May 16 and lasted nearly a month. By June 1991, agricultural cooperatives were collapsing, as members neglected to sow crops and raided the cooperatives, hauling off livestock and produce stocks to sell privately. In Devoll and on the Kòrçë plain, the once plentiful poplar trees had been mostly chopped down. Meanwhile, serious clashes and riots occurred in March and April, as tens of thousands of Albanians tried to flee by boat to Italy. In February 1992, Durrës was rocked by several days of chaos as thousands of local Albanians ransacked government storehouses. The authorities brought in police reinforcements from Tirana, who used firearms and dynamite to restore public order. The numbers of shootings, robberies, and thefts skyrocketed during 1991 and the early months of 1992, leading one Western diplomat to comment in February 1992, "Even the police are afraid now."[25]

These problems are only magnified by the profound urban-rural rift in political preferences. As the elections of March 1991 showed, the cities (especially Tirana) preferred the Democratic party, while the countryside remained strongly loyal to the Albanian Workers' party (AWP — effectively the Communist party), which had spoken in favor of retaining the collectivized system in agriculture.[26] In the March elections, the AWP gained a two-thirds majority in parliament.

But the electoral victory of the Albanian Workers' party in the March-April 1991 elections was short-lived. When the opposition Democratic party

[24] "Statistics on Progress of Privatization Released," FBIS, *East Europe,* October 7, 1991, from *Rompres,* October 4, 1991; "Positive Development of Foreign Investments Noted," FBIS, *Eastern Europe,* October 25, 1991, from *Rompres,* October 24, 1991.

[25] Quoted in *The New York Times,* February 16, 1992.

[26] *Eastern Europe Newsletter,* April 2, 1991, p. 3.



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withdrew from the coalition government, the government fell and new elections were called for March 1992. In these elections, the Democratic party won a dramatic 66 percent of the vote; the Socialist party (which is what the AWP called itself) won 22 percent and was reduced to the role of opposition. In the wake of these elections, Ramiz Alia, the Socialist leader, resigned the state presidency. Sali Berisha, head of the Democratic party, prepared to assume the presidency and promised an intensification of reform.

*Civil liberties.* In general, Albania's movement towards a postcommunist order has been slow and hesitant. One example was the Communist/AWP/Socialist regime's foot-dragging with respect to the release of political prisoners. Pressure for their release had been building since early 1991, but it was not until September 1991 that a law "On the Innocence, Amnesty, and Rehabilitation of Former Political Prisoners and Victims of Persecution" was passed. Finally, four months later, President Alia instructed that honors, titles, and decorations be restored to all rehabilitated and amnestied persons.[27]

Yet Albania has taken some significant steps toward establishing a democratic society, most notably, the announcement in December 1990 that opposition parties would be allowed to register. The Democratic party became the first opposition party to be officially registered. In its platform, the new party endorsed freedom of expression, the separation of parties from the state, the right to own property, and the right to an independent press.[28] Two further parties — the Green party and the Republican party — were registered in the first half of January 1991.[29]

Other significant changes have included the abolition of the Sigurimi (the former secret police), the passage of a new law on the police; the appointment of commissions to prepare new legislation regarding the army and the judiciary; and the emergence of an independent trade union and an independent student union. Within the AWP, changes have also occurred, most notably at the party's Tenth Congress in June 1991, when the party changed its name to the Socialist Party of Albania and gave the first official criticism of long-time party boss Enver Hoxha for violations of human rights and for a misconceived economic strategy.

*Ethnic harmony.* Within Albania itself, there are few problems of an interethnic nature. The chief concern relates to Kosovo, formerly an autonomous region in the Yugoslav republic of Serbia. Serb-Alabanian tensions have long run high in this area. The Albanian population in Serb-occupied Kosovo has increased rapidly over the years and by the end of the 1980s, about 90 percent of the population of Kosovo was ethnic Albanian. Since Slobodan Milošević's ascent to power in Serbia, however, the Serbian government has largely disenfranchised the Albanians, firing many from their jobs (and replac-

[27] "Alia Instructs Political Prisoner Rehabilitation," FBIS, *East Europe*, January 10, 1992, from Radio Tirana Network, January 9, 1992.

[28] See the Democratic party statutes in "Draft Statute, Program of Democratic Party," FBIS, *East Europe*, February 14, 1991, from *Rilindja Demokratike* (Tirana), January 5, 1991.

[29] *Süddeutsche Zeitung* (Munich), January 12/13, 1991.



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ing them with Serbs), suppressing Albanian-language instruction in schools (and replacing it with Serbian), suppressing the province's autonomy (which had been granted by Tito), and confiscating arms owned by Albanians. In the summer of 1990, the Serbian government disbanded the provincial Assembly, but a year later — in September 1991 — members of that Assembly gathered in exile and passed a resolution declaring Kosovo "a sovereign and independent state."[30]

In April 1992, the Serbian government started to reinforce its already ample garrisons in Kosovo, especially along the borders with Macedonia and Albania. The Democratic Alliance of Kosovo also reported that arms were being distributed once again among local Serbs and Montenegrins.[31] Reviewing these developments, the prestigious Aspen Institute in Berlin predicted that once Milošević had achieved his territorial goals in Bosnia, he would turn on Kosovo, using armed forces to drive the Albanian population out of the province.[32] If this should occur, the Albanians could flee in either of two directions — into Macedonia (thereby destabilizing that country) or into Albania. In either case, it would be extremely difficult for Albania to avoid being dragged into the war, despite the traumatizing effect that would have on Albania's efforts to build a democratic system.

*The economy.* For all the social and political difficulties, Albania has nonetheless taken some decisive steps toward creating a market economy. As early as August 1990, a decision was taken to permit foreign investment in the country. About the same time, Tirana decreed that land would be reprivatized and distributed, and by the following summer, it was setting up the apparatus to divide the land and distribute it. Other economic measures have included the establishment of a privatization agency authorized to transfer state property to private hands, the reform of the tax system, and the freeing of prices from state control.

In June 1991, Tirana played host to an international symposium on marketization of the economy, with attendance by scholars and experts from Germany, France, and Italy. Albania has stepped up its economic ties with Germany in particular, and looks to Germany for economic as well as technical assistance.[33] But with unemployment somewhere between 20 and 50 percent, high levels of inflation, and a dramatic decline in industrial production (by 52 percent in the first six months of 1991 alone), the Albanian economy is nothing short of catastrophic, and it will take major efforts to put it back on track again.[34]

[30] "Indepedence Resolution Endorsed," FBIS, *Eastern Europe*, September 24, 1991, from Radio Croatia Network (Zagreb), September 23, 1991.

[31] "Concentration of Army Reported Along Borders," FBIS, *Eastern Europe*, May 5, 1992, from Radio Slovenia Network (Ljubljana), May 1, 1992.

[32] *Wirtschaftswoche* (Vienna), May 21-27, 1992.

[33] *Süddeutsche Zeitung*, November 23/24, 1991.

[34] Ibid.; and *The New York Times*, February 16, 1992; and Iljaz Fishta and Dilaver Sadikaj, "Economic Reform and the Process of Privatization of Albania's Economy," *Südost Europa*, October 1991, pp. 531-541.



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**Bulgaria**

Bulgaria's evolution toward a free society is slow, but relative to other states in the region, it is fairly stable and consistent.

*Representative institutions.* One month after Todor Zhivkov's resignation as head of the Bulgarian Communist party on November 10, 1989, the Union of Democratic Forces (UDF) — an opposition group comprising sixteen parties and interest groups — began talks with the government, initiating Bulgaria's slow journey along the path toward political pluralism. Subsequently, on June 10, 1990, Bulgaria held its first multiparty elections in more than forty years. Although the Bulgarian Socialist party (BSP) — the former communists — won a majority of the seats in the National Assembly, the UDF captured 32 percent of the vote. As a token of the UDF's strong showing, noncommunist Zheliu Zhelev, head of the UDF, was elected president of Bulgaria on August 1, 1990.

Since 1990, the political landscape in Bulgaria has become increasingly more complicated. In the summer of 1991, the UDF coalition began to come apart when the Bulgarian Social Democratic party and the Federation of Clubs for Democracy quit the coalition. Other splits followed as the right wing of the UDF walked out of the assembly, denouncing their erstwhile coalition partners as "communist stooges."[35] The BSP also suffered division. Various BSP deputies simply left their party, some joining two new Leninist parties, the Bulgarian Communist party and the Bulgarian Communist party (Marxist).

Additionally, the number of registered political parties in Bulgaria has mushroomed. As of December 1991, 104 political parties were registered, including two parties focusing on women's issues, five parties targeting young people, eight Christian parties, and even two anarchist parties. The roster of parties also includes three "non-parties," including the Union of Party Nonmembers, Party Nonmembers for Democracy, and the Union of Nonparty Guarantors.

Yet despite the splits within the ranks of the UDF and BSP and despite the proliferation of political parties, the UDF and the BSP together captured the lion's share of the votes in the October 1991 elections, giving Bulgaria the appearance of having developed an incipient two-party system. In these elections, the UDF retained 34.36 percent of the vote, with the BSP winning 33.14 percent — a combined total of nearly 70 percent. The third-place Movement for Rights and Freedoms (MRF) — whose constituency is predominantly Turkish — increased its share of the vote to 7.55 per cent. As a result, the UDF was awarded 110 seats in the Grand National Assembly, the BSP 106 seats, and the MRF 24 seats, thus allowing the two noncommunist blocs to form a coalition without communist participation. Later, in the presidential elections of January 1992, after a run-off election, Zhelev won a new five-year term.

[35] Evgenii Dainov, "Bulgaria: Politics after the October 1991 Elections," in RFE/RL, *Research Report*, January 10, 1992, p. 13.



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*Civil liberties.* On July 12, 1991, the Grand National Assembly adopted a new constitution that lays the legal foundation for a pluralist society and guarantees equal rights for all citizens, as well as freedom of speech, religion, conscience, and the press. The legislature also enacted a new election law, providing for legislative representation for all parties garnering at least 4 percent of the vote. Various government agencies were depoliticized, and the media, freed of bureaucratic control, has begun to chart a new course in a competitive environment.

Yet many political and administrative changes essential to the pluralization process faced obstruction and sabotage by conservative forces still entrenched in local office. These forces feared, among other things, the loss of jobs and power as the government pressed forward with its plan for a radical reduction of up to 90 percent of the bureaucracy at both the national and local levels.[36] Moreover, despite legal-constitutional enactments establishing an independent judiciary, a noncommunist coalition of parties (the Bulgarian Democratic Center) complained that the UDF was already undermining judicial independence. In a subsequent statement, Ivan Shkolagerski, deputy chairman of the Legislative Commission, charged that staff changes in the judiciary had been conducted too hastily and were often politically motivated.[37]

*Ethnic harmony.* Bulgaria provides ample turf for radical-right chauvinism: its population is 10 percent to 15 percent Turkish, with additional numbers of Pomaks, Gypsies, Macedonians, Armenians, Jews, Karakachani, and Gagauz. Moreover, while the BSP and the UDF weathered splits and internal discord, the radical right showed signs of gathering strength. One of the best known radical-right movements is the Bulgarian National-Radical party, whose minister-president, Ivan Krasteff, is a Bulgarian Orthodox priest. These movements mounted anti-Turkish protest actions in late winter 1991, when the government announced the restoration of Turkish-language instruction in schools in regions inhabited by ethnic Turks. The nationalists succeeded in pushing the Assembly to postpone the introduction of Turkish-language instruction until autumn, thus demonstrating their ability to influence policy.

Alongside the radical-right movement is a right-conservative current, which is specifically pro-monarchist. In August 1991, the monarchists set up a political front, the Kingdom of Bulgaria Confederation, to coordinate the actions of the sundry monarchist organizations and movements in the country. The Confederation's leaders immediately obtained a meeting with King Simeon II, the Bulgarian royal pretender, whose permanent residence is in Madrid.[38] The monarchists made the monarchical option part of the public debate, leading to parliament's decision in late May 1991 to schedule a referendum on

[36] See *Frankfurter Allgemeine,* October 12, 1991.

[37] "Opposition Claims Judicial System Being Destroyed," FBIS, *Eastern Europe,* May 26, 1992, from *Duma* (Sofia), May 22, 1992.

[38] "Monarchists Meet Ex-King Simeon in Madrid," FBIS, *Eastern Europe,* August 5, 1991, from Sofia BTA, August 2, 1991. See also *Neue Zürcher Zeitung,* May 31, 1991.



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whether the monarchy should be restored. But on June 5, scarcely a week later, parliament decided against the referendum, arguing that it would polarize the country. Shortly thereafter, a National Polling Center survey found that 76 percent of Bulgarians preferred a republic and that only 15 percent wanted to see the monarchy restored.[39] By the October 1991 elections, support for the Kingdom of Bulgaria Confederation had dwindled to a mere 1.8 percent. All the same, monarchists have not lost hope and were, if anything, encouraged by the visit of Ahmed Dogan, the leader of Bulgaria's Turkish minority, to King Simeon in March 1992.[40]

**While the major parties weathered splits and internal discord, the radical right showed signs of gathering strength.**

*The economy.* To its credit, the Zhelev government instituted a tough austerity program for privatizing the economy that is consistent with recommendations from the International Monetary Fund. Prices were liberalized, restrictions on foreign investment were eased, the banking system was upgraded and overhauled; earlier, in March 1990, to stop the climb of the national debt, the government had imposed a temporary moratorium on all credit lines from Western commercial banks. The government also passed measures to initiate the transfer of state property to private hands, passed a law enshrining economic competition, and, in May 1991, abolished the state monopoly on the import and trade of oil and oil products. Agricultural privatization, on the other hand, has met with some resistance from distrustful cooperative farmers in several villages.[41]

Predictably, the economy has shown signs of stress. Industrial production declined throughout 1990 and into the early months of 1991. Inflation raged at an annual rate of 300 percent in the first quarter of 1991, but was subsequently slashed to a maximum rate of 5 percent per month.[42] The production and distribution system collapsed during 1991, impelling the government to introduce food and petroleum rationing. Meanwhile, unemployment continued to rise. By January 1992, there were 420,372 unemployed persons registered, corresponding to an unemployment rate of more than 10 percent.[43] Officials

[39] "Polls Show 76 Percent Support Republican System," FBIS, *Eastern Europe*, June 17, 1991, from Sofia BTA, June 16, 1991.

[40] "Monarchists To Abstain From Presidential Ballot," FBIS, *Eastern Europe*, December 18, 1991, from Sofia BTA, December 17, 1991; and *Die Presse* (Vienna), March 28/29, 1992.

[41] "Police Clash With Cooperative Farmers in Villages," FBIS, *Eastern Europe*, May 7, 1992, from *Duma*, May 1, 1992.

[42] Duncan M. Perry, "Bulgaria: A New Constitution and Free Elections," RFE/RL, *Research Report*, January 3, 1992, p. 79.

[43] "Figures Indicate Rise in Unemployment," FBIS, *Eastern Europe*, January 15, 1992, from *Trud*, January 7, 1992.



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anticipated that more than 750,000 persons would be unemployed by the end of 1992 — or 15.6 percent of the work force.[44] Real income declined 60 percent in 1991.[45]

By early 1992, however, Bulgarian economists argued that the economy had weathered its most difficult period and was on the road to recovery. In January 1992, an optimistic Zhelev told the Bulgarian news agency that "The old structures, the old state institutions have not been entirely dismantled; yet civil society has managed to create its own infrastructure: multi-party system, independent trade unions, autonomous universities, opposition press, and parliamentary opposition."[46] Despite such optimism however, the UDF is disinclined to underestimate the hurdles that still lie ahead. The UDF has been particularly concerned about possible resistance from the old economic *nomenklatura* whose positions would be threatened by marketization.[47] In an effort to deal with this, at least at some levels, parliament passed a law in March 1992 that banned former communists from holding positions of authority in economic management. The new law was expected to affect 200,000 to 250,000 persons.

## Slovenia

Slovenia is arguably the only real success story of the Balkans — though in historical, cultural, and economic terms, Slovenia is not truly "Balkan" at all; it is Central European. Slovenia's advantages over its neighbors to the southeast, including other former Yugoslav republics, are its much more developed and prosperous economy; the local communist party's growing inclination toward liberalism; the absence of local chaos and strife; Slovenia's almost total ethnic homogeneity; and its relative success in laying the institutional foundations for a stable democracy.

*Representative institutions*. Slovenian discontent with the Yugoslav federation had been swelling during the 1980s. But this discontent did not acquire secessionist overtones until September 1989, when the Republic of Slovenia published a series of draft amendments to its constitution. Among the proposed amendments were: a unilateral assertion of Slovenia's right of secession, a declaration that only the Slovenian Assembly could introduce a state of emergency in that republic, and a ban on the deployment of any military forces in Slovenia, except by the decision or agreement of the Slovenian Assembly.[48]

[44] "Labor Minister on Measures to Reduce Unemployment," FBIS, *Eastern Europe*, January 27, 1992, from Sofia BTA January 24, 1992; *Neue Zürcher Zeitung*, February 1, 1992.

[45] *Neue Zürcher Zeitung*, March 27, 1992.

[46] "Signs of Economy 'Heading for Recovery'," FBIS, *Eastern Europe*, January 16, 1992, from Sofia BTA, January 10, 1992; "Zhelev Outlines Future Plans, Stressed Reform," FBIS, *Eastern Europe*, January 21, 1992, quoted in Sofia BTA, January 19, 1992.

[47] "Yordanov Denounces 'Nationalistic Hatred'," FBIS, *Eastern Europe*, October 23, 1991, from *Demokratsiya*, October 17, 1991; and *Der Standard* (Vienna), March 17, 1992.

[48] *Svet* (Belgrade), September 1989, Special edition.



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The opposition of Serbian politicians to these proposed amendments was clearly reflected in the Serbian press.[49] But the Slovenian Assembly approved all proposed amendments in October, despite Serbian opposition. Just over a year later, in December 1990, a decisive 88 percent majority of the Slovenian electorate endorsed establishment of an independent Slovenian state. Indeed, Slovenia had been functioning ever more independently by the time it formally seceded on June 25, 1991.

As in most of the countries undertaking the transition from communism to pluralism, the opposition parties began by forming a broad coalition, and this coalition contained within itself the seeds of its own dissolution. In late December, Slovenia's "Demos" coalition, which had governed the republic since the 1990 elections, fell apart, and its governing council was dissolved. Spomenka Hribar, a leading functionary in the Democratic party, welcomed Demos's dissolution, however, arguing that "Demos became its own obstacle, because with its single-mindedness and inability to agree it kept creating more obstacles to the achievement of the goals of its own program."[50]

*Civil liberties.* Aside from the secession itself, the chief accomplishment of Slovenia's first noncommunist government — elected in spring 1990 — has been the adoption of a new constitution for the republic, on December 23, 1991. This constitution provides guarantees for the freedom of speech, press, assembly, and religion, and establishes an unconditional right to private property. Modeled on several West European constitutions, the Slovenian constitution is clearly parliamentary, and adds the office of ombudsman, taken from the Swedish constitution.

*Ethnic harmony.* Unlike the rest of the region, Slovenia is almost totally ethnically homogeneous, and is thus less susceptible to the proliferation of anti-liberal parties and sentiment. Of the ten political parties represented in Slovenia's parliament, three are centrist, three are left of center, and four are right of center. Yet the concerns of the latter group have focused not so much on Slovenian nationalism but on efforts to introduce mandatory Christian education in the state schools, to ban abortion, and to buttress so-called "family values," meaning principally that women should stay home and keep out of politics. Although not represented in parliament, there have been some neo-Nazi and fascist elements that have tried to play on racist fears, claiming that Slovenes lack jobs because of foreign workers. Although they are finding some listeners, these voices of violence seem unlikely to be able to play any visible role in Slovenian politics in the foreseeable future.

*The economy.* In the economic realm, Slovenia has placed a high priority on the adoption of new legislation regulating privatization. Between spring 1991 and spring 1992, however, three alternative plans for privatizing the economy were rejected by the Slovenian parliament. In the absence of an

[49] See, for example, *Politika*, September 20, 1989.

[50] Quoted from "Demos Leaders Support Early Elections," FBIS, *Eastern Europe*, January 30, 1992, from *Delo* (Ljubljana), January 4, 1992.



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agreed plan for privatization, important structural and policy changes have had to wait, thus aggravating economic difficulties.

Slovenia's industrial production declined steadily between November 1990 and January 1992, though only by about 1.1 percent per month, and the first modest growth, 1.07 percent, was recorded in February 1992.[51] Over the same period, the Slovenian economy endured an inflation rate of 208 percent. Exports and imports have both declined, while unemployment has inched up to 8 percent of the active population.[52] In these conditions, Slovenian businessmen and economic policy makers have made overtures to Serbia to restore economic ties.[53] Meanwhile, to tide them over, the Slovenes have requested a loan of 200 million Ecu from the European Bank, in addition to a 700-million DM loan already expected from the Paris and Bern Club.[54]

## A Balance Sheet

Reviewing the four cases, it appears that Romania has few if any strengths on which to fall back. The economy is in shambles, interethnic friction runs high, and there is little agreement on the rules of the game. In fact, the entire Iliescu period looks like a transition phase. Which raises the question: What next? Romania has made only the faintest steps towards providing some guarantees for free elections, for an independent judiciary, and for a free press. One must ask how long this state of affairs can continue before Romania is engulfed in a new revolution.

Albania's prospects do not seem much better. The picture is certainly bleak when it comes to economics, civil order, and the establishment of effective institutions generally valued. On the other hand, there seems to be an emergent, if still fragile, consensus about the rules of the game, and the election of the Berisha government bodes well for open elections, human rights, freedom of the press, and other freedoms. The two big question marks for Albania are the economy and possible ethnic repercussions from Kosovo.

By contrast, Bulgaria looks very well off indeed. When it comes to agreement on the rules of the game, free elections, human rights, and freedom of the press, Bulgaria scores high. And Bulgaria is making steady progress towards setting up a pluralist system complete with a depoliticized bureaucracy and an independent judiciary. Even in the areas of the economy and civil order, Bulgaria shows promise. What the Bulgarian government needs most is some breathing space in which to rebuild the economy and set the political system on

[51] "Improvements in Slovene Economy Noted," FBIS, *Eastern Europe*, January 30, 1992, from *Delo*, January 13, 1992; and author's interview with Boris Pleskovic, adviser on privatization to the prime minister of Slovenia, Ljubljana, March 24, 1992.

[52] "Republic's Economic Forecast for 1992 Reported," FBIS, *Eastern Europe*, January 15, 1992, from *Dnevnik* (Ljubljana), December 27, 1991.

[53] "Economic Relations Urged Despite Politics," FBIS, *Eastern Europe*, January 28, 1992, from *Dnevnik*, January 7, 1992.

[54] "Government Discusses Recognition, Economic Issues," FBIS, *Eastern Europe*, January 22, 1992, from Radio Slovenia Network, January 20, 1992.



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a new track. For this reason, the Bulgarians need to stay out of the Yugoslav wars, even if trouble arises in Macedonia. The cost of any Bulgarian involvement in that area would be high.

Lastly, Slovenia ranks well across the board, with the highest marks for civil order, ethnic harmony, agreement on the rules of the game, free elections, a free press, and guarantees of human rights. Although Slovenia's economy is troubled, it is, in fact, the most prosperous and the most promising in all of Eastern Europe — more promising even than Hungary's or Poland's. Slovenia's successful transition to democracy thus seems completely assured.

## The Balkans and the United States

The United States is becoming steadily more involved in the Balkans. With the collapse of communism in most of the region, various American companies, among them Coca-Cola and McDonald's, have invested there. The prospects for further foreign investments, including joint ventures, are considerable, especially in Slovenia and Bulgaria.

Contacts have also been made at other levels. The American Bar Association, for example, has been heavily involved in assisting governments throughout Eastern Europe in drafting new legislation. Its recent activities include a visit to Tirana in December 1991 to consult with members of the Local Government Subcommittee of Albania's Constitutional Drafting Commission; on-site workshops in Albania on legislation regarding commercial activities, the media, judicial reform, and the legal profession; a technical assistance workshop in Sofia in February 1992 on bankruptcy reform; and the dispatch of two liaisons to Romania for six months to help set up the curriculum for the new magistrate training school of the National School of Political and Administrative Studies.[55] In late May, a high-level American delegation, headed by Lawrence Eagleburger, U.S. deputy secretary of state, visited Bucharest, Sofia, and Tirana, and discussed options for U.S. aid to Albania.[56] The U.S. delegation announced that Albania would receive some $35 million in aid or credits.[57]

Significant contacts between the United States and some of the Balkan states are being developed at the level of intelligence as well. For example, in December 1991, Sofia and Washington came to an agreement under which Bulgarian intelligence officers will receive training in the United States in methods of combatting terrorism and organized crime.[58]

[55] American Bar Association, *The Central and East European Law Initiative*, December 1991, p. 2; *Ibid.*, January 1992, p. 2; *Ibid.*, February 1992, p. 1; *Ibid.*, January 1991, p. 5.

[56] "Eagleburger, U.S. Delegation Visit Bucharest," FBIS, *Eastern Europe*, May 9, 1992, from *Rompres*, May 28, 1992; "Eagleburger, U.S. Delegation Vist Sofia," FBIS, *Eastern Europe*, June 1, 1992, from Khorizont Radio Network (Sofia), May 29, 1992; and "Reportage on Visit of Eagleburger to Tirana," FBIS, *Eastern Europe*, June 1, 1992, from Tirana ATA, May 30, 1992.

[57] "First Signs of Economic Improvement Noted," FBIS, *Eastern Europe*, June 4, 1992, from *Rilindja Demokratike* (Tirana), May 23, 1992.

[58] "Intelligence Service To Cooperate With U.S.," FBIS, *Eastern Europe*, December 19, 1991, from Sofia BTA, December 18, 1991.



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America's growing involvement in the region reflects, among other things, a general belief that the promotion of democracy, stability, and prosperity in the Balkans is in America's interests. Slovenia and Bulgaria present the United States with considerable opportunities, both in economic and in diplomatic terms. Both states have the potential to develop into stable democracies and stable friends of the United States. Washington should thus accord the highest interest to cultivating good relations with these two countries. Romania and Albania, however, are economically debilitated and vulnerable, and politically volatile. Romania, in particular, has not yet completed its anticommunist revolution, and regardless of the outcome of the October 1992 elections, it may be some time before the issue of de-communization is fully settled. Washington can build links and provide assistance, of course, but for the time being, the ultimate political direction in Romania, as in Albania, remains all too uncertain.



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*How Democracy Fares*

# Third World Communists May Yet Rule

by John Rees

Following the failure of the putsch in Moscow, many in the West have proclaimed the death of communism and some have even boasted of being responsible for its demise. But the passing months have demonstrated that communism is not dead — not in Russia, not in the other former Soviet republics, and not outside the former USSR. To take only the most obvious proof, orthodox and reform communist parties still rule in China, Vietnam, Laos, North Korea, and Cuba.

Perhaps even more telling, though, as an indicator of communism's vitality, is the number of Marxist-Leninist insurgent groups that may yet take power around the world. In Cambodia, for instance, Pol Pot's Khmer Rouge may conceivably return to power, displacing both the Vietnamese-backed regime of Heng Samrin and any coalition government formed after next year's U.N.-supervised elections. In the Philippines, the New People's Army (the insurgent force of the Communist Party of the Philippines) has demonstrated a well-developed, adaptable command structure that has survived the capture of many of its leaders, while the party itself has built up a large number of front organizations to serve as recruiting devices.

Three particularly flourishing Marxist-Leninist movements in the Third World are the Sendero Luminoso (Shining Path) of Peru; the African National Congress (ANC) of South Africa; and the Partia Kartia Kurdistan of southeastern Turkey (PKK — Kurdish Workers' Party). All three of these Marxist-Leninist movements appear to have a reasonable chance of achieving state power by the end of this decade.

## Peru's Vulnerability

An unorthodox Maoist movement in Peru, the Sendero Luminoso, is taking advantage of special local conditions to organize a terrorist insurgency that many observers believe may rule the country within seven years. Specifically, Sendero has capitalized on five conditions in Peru: the drug trade in cocaine; the brutality and incompetence of the military and police; a collapsed economy; widespread corruption in government; and deep division between the impoverished, disempowered mestizos and Quechua-speaking Indians of

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the interior highlands on the one hand and the European elite on the other.

*Cocaine.* Not surprisingly, given that about 60 percent of the world's cocaine comes from Peru, the cocaine trade provides Sendero with a continuous source of funding. Colombian cartels pay off Sendero, the rival Castroite revolutionary movement (Tupac Amarú) and corrupt government officials — depending upon which group is dominant in the part of the country where the cartel is operating.[1]

In the Upper Huallaga Valley, where coca is about the only cash crop, Sendero units have won the loyalty of thousands of the coca farmers, by defending their plantings from Peruvian and U.S. efforts to destroy coca processing facilities. Indeed, in large expanses of the Upper Huallaga Valley, Sendero Luminoso controls virtually all aspects of the cocaine business: allocating land, dictating prices paid the farmers, then negotiating the sale price directly with

**The Peruvian military and police unintentionally aid the Sendero Luminoso insurgency by abusing human rights.**

the Colombian cartels. In this region, Sendero is believed to have full and direct control over 30,000 hectares (nearly 75,000 acres) of coca bush plantations. The insurgents also control many airports used by drug exporters and levy a "tax" on each outgoing flight of between $5,000 and $15,000.[2] The resulting income has enabled Sendero to purchase weapons on the international market and from corrupt Peruvian military personnel.

*Brutality.* In no small degree, the Peruvian military and police unintentionally aid the Sendero insurgency by abusing human rights. Harsh and arbitrary repression is applied with a broad brush against campesinos, villagers, and residents of the urban shantytowns.

This has been the rule since the inception of the Sendero insurrection. In December 1982, the central government placed nine provinces in three departments of the central highlands under martial law because of Sendero operations. A few months later, General Luis Cisneros stated that his army was at war, and in war "there are no human rights."[3] Bluntly, the security forces have been extremely successful recruiters for the guerrillas.

*Poverty.* Roughly 80 percent of Peru's populace lives in poverty. Between 1988 and 1990, the economy contracted 22 percent. Under the govern-

[1] Bernard Aronson, Assistant Secretary of State for Inter-American Affairs, "Review of the Presidential Determination on Narcotics Control and Human Rights in Peru," (Prepared statement for the House Committee on Foreign Affairs, September 12, 1991), pp. 37-38.

[2] Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs, Statement before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, March 12, 1992, p. 9.

[3] Alexander Wilde, Prepared statement for the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, March 11, 1992, pp. 9-10.



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ment of former President Alan García Pérez, payments on much of the country's foreign debt were terminated and the country was largely cut off from foreign credit. In 1989, inflation ran at more than 3,000 percent. On taking office in mid-1990, President Alberto Fujimori undertook the strict austerity measures demanded by the International Monetary Fund and started paying interest on the foreign debt of more than $20 billion. The Fujimori government reduced inflation to about 55 percent last year and, despite near deadlock with congress, instituted reforms of trade, investment, and tariff laws. Last year, the economy grew by 2.8 percent, but it may take a decade to restore per capita income levels to the 1987 level.

These economic conditions play a critical role in generating support for the Sendero insurgency, and the organization knows it. For years, as Peru's economy declined, religious charities, many supported and staffed by Americans and Europeans, were the main non-economic sources of sustenance for the poor. Now, however, foreign relief and religious workers, even the Catholic Church itself, are targets of Sendero assassins. An American priest in Lima said in a recent interview, "The terrorism makes it very difficult sometimes because people are threatened and if you stand too closely with the Church, then you know the other side has you marked."[4] During the past year, Sendero has visibly taken control of several of the squatter slums surrounding Lima.

*Corruption.* Exacerbated by money from narcotics trafficking, Peru's governmental institutions became a by-word for corruption, with the most egregious abuses evident in the judicial system. The Fujimori administration, though pledged to reform, has made limited headway in reform since taking office in mid-1990. In criticism before the House Foreign Affairs Subcommittee on Western Hemisphere Affairs in March, Assistant Secretary of State Bernard Aronson listed six urgent reform priorities essential if the Peruvian government were to strengthen democracy. Ironically, less than a month later, the army and President Fujimori decided reform was not possible within the constitutional democracy. Dozens of presidential decrees have been issued on topics from making prison terms mandatory for tax evaders to firing many prison officials and all the magistrates of the Labor Court because it was common knowledge that their judgments were for sale. The four-day pitched battle by police and military units to regain control of the Miguel Castro Castro Penitentiary from Sendero prisoners also was explained as essential to ending endemic corruption in the prison system that had allowed the Sendero Luminoso to take control of several wings of the prison and show it off to Western journalists — including "CBS Evening News" camera crews — as a "liberated zone."[5]

*Racial division.* Sendero Luminoso's founding cadre, all university-based intellectuals, spent years tailoring a message of "people's war" to the Quechua-speaking Indian villagers of the Andean Central Highlands. Sendero

[4] National Public Radio, "Morning Edition," March 13, 1992.

[5] "CBS Evening News," March 12, 1992; Foreign Broadcast Information Service, *Daily Report: Latin America* (hereafter, FBIS, *Lat*), May 29, 1992, pp. 34-37, from *Der Spiegel*, May 25, 1992.



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emphasized racial and class divisions in which *blancos* (whites), who comprise 15 percent of the population, dominate government, the military and business; the *cholos* (those of mixed Indian-European heritage), who comprise about 40 percent, are in the middle ranks of status and income; and the *indios* are at the bottom. The elite long regarded the Indians as passive, but Quechua-speaking Indians contemptuously use the word *wiracocha* (white lord) to refer to those of European descent or to *cholos* who appear mostly European. Peruvian leaders did not regard Sendero's organizing among the Indians as a serious problem, and they ignored for two years the guerrilla attacks on Indian villages that began in 1980. By the time the government did recognize the threat, Sendero Luminoso commanded, through fear and allegiance, the obedience of many villagers.

**The Shining Path**

Sendero's founder and leader, Abimael Guzmán Reynoso, was a professor of philosophy at the University of Ayacucho. For more than a quarter century, Guzmán has been slowly developing his insurgency. In the early 1960s, he joined a pro-Mao Zedong faction that split from Peru's pro-Moscow communist movement. The Cultural Revolution and Red Guards inspired him, as did the "people's war" waged by North Vietnam. Under the name "Comrade Gonzalo," Guzmán began developing a methodical strategy for a people's war in Peru, using the ideas of Marx, Lenin, Stalin, and Mao, and adapting them to Peruvian conditions as outlined by the Peruvian radical José Carlos Mariátegui.[6] His group, then called the Partida Comunista Revolucionario Bandera Roja (PCP — Communist Party of Peru-Red Flag), became the PCP-Sendero Luminoso. Guzmán broke with the Chinese Communist Party after the Gang of Four was deposed. That Sendero Luminoso has on occasion bombed both the Soviet and Chinese embassies in Lima on the same night suggests its present independence.

Twelve years after Sendero's armed struggle began, there is no area of Peru in which their death squads do not operate, and two-thirds of the country is under martial law. The cumulative death toll attributed to insurgent and counter-insurgent actions is 23,000, with another 4,000 people missing. The U.S. State Department's official estimate of 3,000 to 5,000 full-time Sendero fighters and 6,000 to 10,000 part-timers may be low.[7]

Sendero Luminoso presents itself as offering alternative governmental services — education, indoctrination, culture, medical care. But its principal focus is on a relentless sabotage of infrastructure — electrical power lines, bridges, school buildings, foreign-owned businesses — plus the assassination of mayors, municipal officials, teachers, police, military officers, and civilian

[6]The full name of the group is "Partido Comunista del Peru por el Sendero Luminoso del Pensamiento de José Carlos Mariátegui y Marxismo, Leninismo, Maoismo, y el Pensamiento de Presidente Gonzalo." — The Communist Party of Peru on the Shining Path of the Thought of José Carlos Mariátegui, Marxism, Leninism, Maoism, and the Thought of President Gonzalo.

[7]Aronson Statement, March 12, 1992, p. 3.



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political leaders at the local and national level. With these violent tactics, Guzmán believes, the state's foundations will be so eroded that the entire edifice will collapse.

And terror is indeed eroding Peru's fragile democracy and institutions. Mayoral and city council posts go unfilled when no one will stand for office. Recently, Sendero cadre have been targeting foreign priests, nuns, and religious or charity workers, demonstrating Sendero control over the shantytowns and rural regions. In February, an assassination squad invaded a social function attended by the vice-mayor of Villa El Salvador, Lima's largest shantytown, the popular leftist but anti-Sendero Maria Elena "Malena" Moyano. In front of her family and friends, Moyano was shot dead with automatic weapons. Then, before her screaming children, the Sendero assassins dragged Malena's corpse into the street, put a powerful bomb on it and blew it to bits.[8]

Because terror, not merely death, is Sendero's tactic for demonstrating the regime's inability to protect the populace, the process of killing is made horrible. Murder by disembowelment, forcing neighbors and relatives at gunpoint to hack a victim to death slowly and to commit ritual cannibalism, and kidnapping village children and making them Sendero executioners are commonplace.[9] In January 1990, a Sendero band comprised mostly of children stopped a bus at gunpoint, forced two French tourists to get off, and shot them. Then, in the words of Assistant Secretary of State Aronson, the youngest child in the Sendero band "was made to beat one of the victims' skull with a large rock until it was completely crushed."[10] The previous November also, two tourists were taken off a bus, tortured, and killed. In that case, the young woman victim was disemboweled.[11] Four years ago, in an interview published by the Sendero newspaper, *El Diario*, Guzmán said "Regarding violence, we begin with the principle established by Mao Zedong: Violence is a universal law, without exception. . . . Without revolutionary violence, we cannot replace one class with another." The revolution will be accomplished after Peruvians "cross over the river of blood."[12]

Last fall, Luis Arce Borja, the Brussels-based editor of *El Diario Internacional* and the man in charge of disseminating Sendero propaganda abroad (through a front organization called the Peruvian People's Movements), wrote that during the revolution's "strategic defense" stage (1980-1989), 35,000 people had been killed. In the current stage of "strategic equilibrium," he predicted, with government and Sendero forces about equal, one million Peruvians will die.[13]

[8] Ibid., p. 4.
[9] Ibid.
[10] Ibid.
[11] FBIS, *Lat*, July 25, 1988, from *El Diario*, July 24, 1988.
[12] "Shining Path Representative Reviews Aims," FBIS, *Lat*, October 21, 1991, from *Expreso* (Lima), October 13, 1991.
[13] "Shining Path Figure in Europe Profiled," FBIS, *Lat*, November 13, 1991, from *La Republica* (Lima), November 2, 1991.



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In an interview with Lima's *Expreso* last October, Adolfo Olaechea, the Sendero representative in London, said:

> The revolution is at the stage of strategic balance. This means that the country already has been wiped out and it is time to begin the struggle against the high-level military units. We are no longer merely guerrillas; our organization is made up of regular forces. I think that the enemy will be defeated soon, and that before the end of this century, we will establish a popular republic that, I hope, will be ruled by President Gonzalo. We are preparing to meet this objective.[14]

The Sendero insurgency is now advanced and the capital is being encircled. In this final stage of the revolution, Sendero hopes to use terrorist tactics to force many Peruvian leaders to flee, accelerating demoralization and governmental collapse. The political anarchy following Fujimori's auto-coup can only aid the insurgents' goal. And yet, if Washington turns its back on Peru because of the collapse of democracy in Lima, what will it do when Sendero Luminoso creates its "strategic equilibrium" of a million dead?

**The Red and the Black**

Last December, the South African Communist Party (SACP) held its Eighth Party Congress, an event attended by delegations from the Communist party of China, the Communist party of Cuba, and "fraternal parties" of several other countries. It amounted to a revival meeting for orthodox Marxist-Leninists. Joe Slovo, who was stepping down as general secretary to take up the honorary post of national chairman, gave a fiery two-hour defense of socialism and communism, asserting that the system that had been killed in the Soviet Union and Eastern Europe was not true socialism. "We remain absolutely convinced that, despite some of the horrors of Stalinism, it is socialism and only socialism which can, in the end, assure every individual and humanity as a whole of freedom in its true meaning."[15] But Slovo's effort to have the SACP support "democratic socialism" in its charter was voted down by ultra-militants, who demanded no "appeasement" of imperialism.[16]

Despite such militancy, the SACP can lay claim to being the most widely approved non-ruling Communist party now in existence. This anomaly is due to the reputation it has won as mentor and ally of the African National Congress (ANC) during a 40-year struggle against apartheid. The Soviet bloc and its allies long fostered this reputation by massive propaganda alleging communists were the only whites opposed to apartheid, despite the worldwide international economic sanctions that forced the white government in South Africa to abandon apartheid.

[14] "Shining Path Representative Reviews Aims," FBIS, *Lat*, October 21, 1991, from *Expreso* (Lima), October 13, 1991.

[15] "SACP's Slovo Defends Socialism for Country," Foreign Broadcast Information Service, *Daily Report: Sub-Saharan Africa* (hereafter FBIS, *SA*), December 6, 1991, from Johannesburg South Africa Press Agency (SAPA), December 5, 1991.

[16] Ibid.



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Perhaps the most egregious example of such an equation of the SACP with a "civil rights" movement was the 1988 film, *A World Apart*, a fictionalized life of Joe Slovo and his wife Ruth First. In addition to being SACP general secretary from 1987-1991, Slovo was a leader of the ANC's terrorist wing, MK (Umkhonto we Sizwe — Spear of the Nation) from 1963-1987. But in the script of *A World Apart*, written by his daughter Shawn Slovo, the word "communism" is raised only by children taunting the Shawn Slovo character, and by an interrogator who drives her mother to try suicide in prison. Directed and beautifully photographed by the Oscar-winning cameraman Chris Menges (*The Killing Fields* and *The Mission*), the film shows a family modeled on the Slovos persecuted by the government for opposing discrimination; the father mysteriously fleeing the country one night; the mother arrested, interrogated, driven to attempt suicide, then released and reunited with her daughter, who quickly conquers childish selfishness and comes to understand the impassioned struggle of her parents. At the end, mother and daughter attend the funeral of a heroic black revolutionary, and there they raise their clenched fists together. *A World Apart* won three awards at the 1988 Cannes film festival, including the Jury Grand Prix, and, rated "PG," still makes the rounds of cable television's film channels.

But beneath this bright "civil rights" image, the SACP is an orthodox Marxist-Leninist party that gives every evidence of controlling the policies of the African National Congress and directing as well the policy of the Congress of South African Trade Unions (COSATU). For example, before "the SACP partially revealed its leadership in July, *Africa Confidential* [May 4, 1990] estimated that 27 of the 35 ANC National Executive Committee (NEC) members were SACP members."[17] The SACP also exercises a strong presence in executive posts throughout the ANC's administrative structures, such as the president-general's office and Political Military Council.[18]

Of the 50 people elected to the ANC's National Executive Committee in July 1991, approximately half were well-known SACP members and leaders. These included Chris Hani, then MK's chief of staff; Thabo Mbeki, who was on the SACP political bureau until he began to devote himself full time to the ANC; Joe Slovo, SACP general secretary until December 1991, now working full time for the ANC; Ahmed Kathrada; Ronnie Kasrils, another MK leader; Harry Gwala, the hard-line SACP factional leader and ANC leader in Natal, whose SACP Natal Midlands branch on August 21 declared its support for the leaders of the Moscow putsch;[19] Steve Tshwete, head of the ANC Organizing Department; Raymond Mhlaba; Mac Maharaj; Alfred Nzo, who moved from the SACP Central

[17] Richard F. Staar and Margit N. Grigory, eds., *Yearbook on International Communist Affairs 1991* (Stanford, Cal.: Hoover Institution Press, 1991), p. 35. However, Mandela later said "I emphatically deny that the number of members of the South African Communist Party is as you state. . . . There are far fewer than you state." Quoted in FBIS, *SA*, August 13, 1990 from Johannesburg Television Service, 1815 GMT, August 12, 1990.

[18] *Africa Confidential*, May 4, 1990, pp. 1-2.

[19] *Business Day* (Johannesburg), August 22, 1991, p. 2.



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Committee to head the ANC secretary-general's office; Raymond Suttner; Ebrahim Ismail Ebrahim; Aziz Pahad; Cheryl Carolus; Mohamed Valli Moosa; John Nkadimeng; Gertrude Shope; Sidney Mafumadi; Reginald September; Billy Nair; Jeremy Cronin and Kadar Asmal. The ANC's new secretary-general, Cyril Ramaphosa, former head of the National Union of Miners and a leader of COSATU, at first refused to say whether or not he held SACP membership; later, he said vaguely it was in a state of suspension.[20]

This holding of high posts simultaneously in the SACP and ANC continues to work both ways. Thus, among those elected in December 1991 to the SACP Central Committee were: Slovo, Hani, Kasrils, Gwala, Mhlaba, Suttner, Nkadimeng, Nair, Cronin and Mafumadi. Many other South African Communist Party Central Committee members, as well as rank and file members, are active in the ANC, and have previously served on the ANC's National Executive Committee; examples include Govan Mbeki, Essop Pahad, Garth Strachan, and Brian Bunting.[21]

In December 1991, Walter Sisulu (the ANC's deputy president) told the SACP congress that success in the Convention for a Democratic South Africa (CODESA) negotiations "requires tight unity at the center. It requires a powerful engine that propels the liberation movement as a whole. That engine is our alliance between the ANC, SACP and COSATU."[22] Similarly, COSATU's general secretary Jay Naidoo told the SACP delegates, "The left is under attack and we need to unite in defense of the struggle for fundamental transformation."[23] But perhaps the clearest statement of unity came a few months earlier from Chris Hani, who had been MK's chief of staff for fifteen years and was soon to replace Slovo as SACP general secretary. "You see," he told a BBC interviewer in August 1991, "we share the same objectives in terms of the national democratic revolution, in terms of building a post-apartheid South Africa. We are bound by those common objectives."[24]

## Linking Apartheid and Capitalism

Given the SACP's attempt to exploit the drive for black equality for its own purposes, one should not be surprised to find it identifying apartheid with capitalism. In a February 1992 interview, General Secretary Hani said, "We

[20] "ANC Provides Names of NEC's 50 Members," FBIS, *SA*, July 19, 1991, from *Cape Times* (Cape Town), July 8, 1991; "8 Jul Press on ANC's Communist Links [Editorial Report]," FBIS, *SA*, July 9, 1991, from *Sunday Times* (Johannesburg), July 7, 1991; "8 July Press on ANC's Communist Links [Editorial Report]," FBIS, *SA*, July 9, 1991, from *The Star* (Johannesburg), July 8, 1991; "ANC NEC Officials on Marxism, Economic Policy," FBIS, *SA*, July 7, 1991, from Johannesburg SABC TV1 Network, July 7, 1991.

[21] *Africa Confidential*, July 26, 1991, pp. 1-2; "ANC Provides Names of NEC's 50 Members," FBIS, *SA*, July 19, 1991, from *Cape Times* (Cape Town), July 8, 1991; *The Citizen*, July 30, 1990; *Africa Confidential*, May, 4 1990, pp. 1-2; "SACP: The Road Ahead," *Freedom Bulletin*, No. 11, 1991; "Central Committee Members Elected," FBIS, *SA*, December 10, 1991, from Johannesburg SAPA, December 7, 1991.

[22] FBIS, *SA*, December 6, 1991, from SAPA, December 5, 1991.

[23] "First Day Session of SACP Congress Recapped," FBIS, *SA*, December 6, 1991, from Johannesburg SAPA, December 5, 1991.

[24] "Chief of Staff Hani on ANC-SACP Alliance," FBIS, *SA*, August 7, 1991, from BBC World Service (London), August 6, 1991.



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must admit that in this country capitalism bears the main responsibility for the poverty of our people. Capitalism and apartheid have been and are still like Siamese twins; and you can never say it is not capitalism, it is apartheid. Both worked together to reap maximum profits. So for us in the party, this will be our main terrain of struggle, now and in the future."[25]

Slovo has also iterated the identification of apartheid with capitalism, saying, "In South Africa, the historical link between capitalism and poverty is nowhere more apparent and more disgraceful." He continued, "At the height of apartheid from 1950 to 1970, the economic system made it possible for foreign capital in South Africa to attract a 21 percent rate of return — three times higher than that of the advanced industrial countries. Who was it if not the mining houses who campaigned remorselessly for pass laws, ghettos, military-style compounds, the perpetuation of the reserve system."[26]

More generally, Marxist rhetoric pervades the comments of those allied with the SACP and ANC, as when Walter Sisulu espoused an old socialist viewpoint, saying that "the entire alliance" understood "that the freedom of our people will mean little if they have the vote, but have no houses nor land."[27]

**Potential for Violence**

In addition to the shared views and conjoined size of SACP and ANC, one must add their violent histories as a cause for worry. In the early 1960s and then during the late 1980s, the ANC and SACP conducted terrorism and sabotage against civilian targets. The more recent terrorist campaign was suspended, because the public reaction among black and white in South Africa was one of anger and revulsion. The bombings of fast food restaurants and bus stations used mainly by black commuters, plus car bombs and assassinations of moderate blacks, also elicited an adverse reaction from the SACP's international support networks. Nonetheless, the ANC and SACP have never foresworn a return to armed struggle should the CODESA negotiating process falter.

Certainly, the theoretical and practical foundations for resuming armed struggle have been carefully protected. Chris Hani was for years Joe Slovo's deputy in the leadership of the MK. In 1987, when Slovo became SACP general secretary, Hani succeeded him as MK commander. He retains wide-spread popularity among the MK cadres, and he opposed the suspension of armed struggle during negotiations. After fighting broke out between supporters of the ANC and the Inkatha Freedom Party, Hani spearheaded MK organization of para-military "self-defense units" to defend ANC-controlled areas. Thus, the likelihood is strong that the ANC and SACP would resume violence if negotia-

[25] "Communist Party Secretary General Interviewed," FBIS, *SA*, February 28, 1992, from *City Press*, February 23, 1992.

[26] "SACP's Slovo Defends Socialism for Country," FBIS, *SA*, December 6, 1991, from Johannesburg SAPA, December 5, 1991.

[27] "First Day Session of SACP Congress Recapped," FBIS, *SA*, December 6, 1991, from Johannesburg SAPA, December 5, 1991.



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tions do not produce results quickly. After being elected SACP general secretary, Hani stated:

> As long as there's space for peaceful negotiations, the SACP will explore that space fully and totally, but we are not going to stop short of the bottom line. And the bottom line is that this [white] government, which is illegitimate and unrepresentative, has no right to rule us even for a day.[28]

## Turkey's Kurds

Over the past two years, Turkey has come under increasing pressure from terrorist organizations espousing three ideologies: Marxism, ultra-nationalism, and fundamentalist Islam. Many such groups appear to have at least one state sponsor, generally Syria, Iran, or Iraq. But by far the largest insurgent threat to Turkish stability is posed by the Kurdish Workers' Party (PKK), formed in 1978 by Abdullah "Apo" Öcalan.

The principal question regarding the PKK is whether it is a nationalist group using Marxist-Leninist rhetoric, or a Marxist-Leninist group using nationalist rhetoric. Seized documents concerning the organization of the PKK's armed wing contained thirty points stating the ideology of the PKK is Marxism-Leninism.[29] But the final answer to the question will not be known unless the PKK comes to exercise some sort of power — and the West's experience with "agrarian reformers" and so forth suggests that would not be wise.

Turkish sources trace the major ideological influences on the PKK to radical Palestinian groups, such as George Habash's Popular Front for the Liberation of Palestine, and to the development of Iraqi communism during the 1970s. These were then adapted for a primarily Kurdish ethnic entity, the PKK, which professes that its goal is to set up an independent, all-Kurdish state carved from Turkish territory and operating along Marxist-Leninist lines.[30]

Last November, while entertaining reporters at the PKK's main training base, the Mahsum Korkmaz academy in the Syrian-controlled Bekka Valley of Lebanon, Öcalan described the PKK's relationship to the PAK (Partiya Azadiya Kurdistan — Kurdistan Freedom Party), organized in October 1991 in southern Turkey, as one of "ideological and political" dominance. He explained that the PAK unfortunately "is not in a position to put Marxism and Leninism into practice."[31] Thus, he made it clear that the PKK exercises ideological and political control over the PAK, which is merely a front party. At the same time, Öcalan acknowledged that "the consequences of Marxism and Leninism currently are being debated throughout the world." And Öcalan's deputy, Numan, com-

[28] "Hani on 'Negotiating Strategy'," FBIS, *SA*, December 10, 1991, from Johannesburg SAPA, December 8, 1991.

[29] "PKK Document Discovered, Detailed," Foreign Broadcast Information Service, *Daily Report: West Europe* (hereafter, FBIS, *WEU*), February 14, 1989, from *Hurriyet* (Istanbul), February 11, 1989.

[30] "Report on PKK, Dev-Sol Camps in Lebanon," FBIS, *WEU*, December 18, 1991, from *Turkish Daily News* (Ankara), December 4, 1991.

[31] "Kurdish Workers Party Leader Discusses Issues," FBIS, *WEU*, December 5, 1991, from *Turkish Daily News*, November 27, 1991.



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mander of the Mahsum Korkmaz camp, chimed in saying, "We accept Marxism as a science, and science is subject to constant improvement and changes."[32]

Öcalan presented the PKK as democratic in orientation and seeking to help democratize Turkey; but PKK manuals and materials captured by Turkish military forces indicate no ideological shift in the indoctrination of fighters in the PKK's armed branch, the People's Liberation Army of Kurdistan.[33] The PKK monthly, *Berxwedan*, which circulates in the large Kurdish expatriate community in Germany, devotes most of its coverage not to ideology but to battlefield stories, denunciations of all things Turkish, and flattering accounts of "Chairman Apo" and his contacts with, for example, Libya's Colonel Qaddafi.

Examples of the PKK's democratic nature cited by Öcalan in interviews last fall in fact refer to infiltration of Turkish political parties. In March 1989, the PKK was supporting 18 mayoral candidates in Mardin, 10 in Siirt, 3 in Hakkari, and 20 in Tunceli. Two small, illegal revolutionary groups were cooperating with the PKK's electoral effort. An additional five "independent" candidates were being supported by the PKK and four other illegal Marxist organizations.[34] Öcalan pointed to the October election of several deputies openly supportive of the PKK as members of the People's Labor Party (Halkin Emek Partisi — HEP), which formed an electoral coalition with Inönü's Social Democratic Populist Party (Sosyal Demokrasi Halkei Partisi — SHP), a part of the governing coalition.[35] Esma Öcalan, mother of the PKK leader, was a guest of honor at the December HEP party congress. Former HEP leader Fehmi Isiklar and at least half a dozen other former senior HEP leaders who followed him into the SHP attended the HEP gathering. The HEP toned down its former anti-imperialist anti-American rhetoric and invited observers from the U.S., German, and other Western embassies to attend.[36]

Last winter, Öcalan proclaimed his support of the HEP as a legal party whose strengthening "before a political solution is found would not be disadvantageous." Öcalan also said he wanted "PKK sympathizers to join the Social Democratic Populist Party," to influence the policy of Foreign Minister Inönü and Prime Minister Demirel towards an autonomous Kurdish "federation."[37]

## The PKK Insurgency

Given the mountainous terrain of Kurdistan and the existence of safe

[32] "Report on PKK, Dev-Sol Camps in Lebanon," FBIS, *WEU*, December 18, 1991, from *Turkish Daily News*, December 4, 1991.

[33] "Kurdish Workers Party Leader Discusses Issues: Further on Interview," FBIS, *WEU*, December 5, 1991, from *Turkish Daily News*, November 28, 1991.

[34] "Syrian Intelligence, Communist Party Behind PKK," FBIS, *WEU*, March 20, 1989, from *Gunaydin* (Istanbul), March 13, 1989.

[35] "Kurdish Workers Party Leader Discusses Issues," FBIS, *WEU*, December 5, 1991, from *Turkish Daily News*, November 27, 1991.

[36] "Editorial Warns PTP on 'Kurdish Nationalism'," FBIS, *WEU*, December 20, 1991, from *Hurriyet*, December 16, 1991; "PTP Leader Comments on Kurdish Issue, PKK," FBIS, *WEU*, December 26, 1991, from *Cumhuriyet* (Istanbul), December 17, 1991.

[37] "PKK Leader Warns of 'Bloody Mass Actions'," FBIS, *WEU*, December 17, 1991, from *Hurriyet*, December 7, 1991.



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havens in Syria, Lebanon, Iraq, and Iran, Öcalan has chosen a path to power for the PKK that borrows heavily from the precepts of a classical people's war. The main text is Öcalan's *Popular War and Guerrilla in Kurdistan*, in existence since the late 1980s. From 1984 through 1988, the PKK's operations focused on "soft" targets such as the mayors of Kurdish towns, Kurdish village headmen, and members of the rural militia. These activities were successful in provoking a harsh response from the Turkish government, which viewed disturbances in the Kurdish regions as a military matter, not a political one. In turn, this harsh treatment of native Turkish Kurds and of refugees from Iraq helped fuel the ranks of the PKK. By 1989, PKK documents showed the guerrillas had expanded to 2,000 combatants.

**The PKK's main sources of arms and logistical support have been Syria, Iran and Iraq.**

However, the PKK seems to have begun practicing the Marxist-Leninist ritual of criticism/self-criticism with Öcalan acknowledging the PKK had persuaded many Kurds they had more to fear from the PKK than from Turkish troops. In addition, the PKK commander seems to recognize that the wholesale slaughter imposed on Kurds who support the Turkish government has cost his organization valuable international prestige.[38]

*State support.* Like certain other "popular" Marxist wars of liberation, the PKK's war depends heavily on support from established states. Historically, this support did not come from the former Soviet Union but from the USSR's clients. Thus, during the PKK's campaign to disrupt Turkey's general election, Turkish State Minister Esin Kocak stated that "Iraq, Syria and Iran are giving logistic support to the separatist PKK," which became a source of intense friction with these governments.[39]

According to Turkish intelligence and security sources,[40] Syrian support for the PKK was sponsored personally by Jamil al-Assad, brother of President Hafiz al-Assad and leader of the Revolutionary Murtaza Party (RMP), formerly the Imam Murtaza Society, based in Latakia. From time to time, Syria has claimed to have ordered the PKK and other Turkish terrorist organizations out of its territory; but it is no secret that most closures of facilities were temporary or that new ones were opened both in Syria and in the Syrian-occupied Bekka valley of Lebanon. In April, Syria ostentatiously closed the PKK and Dev-Sol camp and there were reports that Öcalan would be forced to move from Damascus, but most guerrillas had left the camp in March to join the offensive.

The PKK's main sources of arms and logistical support have undoubt-

[38] *Turkish Daily News*, November 28, 1991, p. 5.

[39] "Minister: Iraq, Syria, Iran Supporting PKK," FBIS, *WEU*, October 8, 1991, from *Anatolia* (Ankara), October 7, 1991.

[40] "*Tercuman* on Syrian Support for PKK," FBIS, *WEU*, March 22, 1989, from *Tercuman* (Istanbul), March 18, 1989.



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edly been Syria and Iran, with Iraq joining also, seeking a weapon against U.S.-allied Turkey in the PKK.[41] Press reports, citing intelligence sources, state that after Öcalan and Saddam Husayn met in al-Mawsil early in 1991, Baghdad supplied weapons to the PKK for use against Turkey.[42] There is insufficient evidence to determine whether that cooperation has continued. Öcalan's prestige might suffer if he were seen as an ally of Saddam Husayn's repressive regime. At the same time, Iran seems to have switched its support to Turkish fundamentalists of the Hezbollah organization that has killed PKK fighters.[43]

The PKK has also received some support from Greek and Greek Cypriot circles, apparently on the grounds that the enemy of my enemy is my friend.[44] On December 5, 1991, Öcalan told a group of Turkish reporters in the Bekka Valley that the PKK wanted to set up a radio station in Greece, but that the Greek government said it did not have the money. Said Öcalan, "The Greeks say that we have a common cause. I do not wish to offend our Greek friends, but this is cheap politics. . . ." Meanwhile, Turkish president Turgut Özal has made concessions to Greece to persuade the Greek government not to support the PKK."[45] In 1989, a former PKK cadre said PKK members received guerrilla training in a refugee camp on Lavrion, a Greek island, and in camps in the ethnically Greek sector of Cyprus.[46]

Lastly, the PKK has received indirect state support from the flood of weapons that entered the Kurdish region from all sides, including the Western powers, when they were arming and encouraging Kurds in their revolt against Saddam Husayn. It would be naive to think that various local Kurdish groups do not sell and trade guns to one another. This has led to some public recriminations against the Western powers from officials of Turkey's National Intelligence Service.[47]

*Prospects.* Ten Turkish provinces are currently under a state of emergency. The PKK is particularly active in the mountains south of Gaziantep, Urfa, Mardin, Midyat, Cizre, and Hakkari. By November 1991, an estimated 3,500 people including guerrillas, soldiers, and civilians had died in the eight-year struggle.[48]

[41] "Regional Terrorist Support Network Reported," FBIS, *WEU*, October 17, 1991, from *Milliyet* (Istanbul), October 10, 1991.

[42] "Iraq Reportedly Supplies PKK With Firearms," FBIS, *WEU*, October 18, 1991, from *Tercuman*, October 14, 1991.

[43] "Press Comments on Relations With Iran: Prospects for Cooperation," FBIS, *WEU*, March 2, 1992, from *Milliyet*, February 19, 1992.

[44] "*Tercuman* on Greek 'Cooperation' with PKK," FBIS, *WEU*, January 10, 1989, from Tercuman, December 30, 1988.

[45] "PKK Leader Warns of 'Bloody Mass Actions'," FBIS, *WEU*, December 17, 1991, from *Hurriyet*, December 7, 1991.

[46] "PKK Militants Allegedly Train in South Cyprus," FBIS, *WEU*, November 16, 1989, from *Tercuman*, November 7, 1989.

[47] "Former Official Believes U.S. Supports PKK," FBIS, *WEU*, November 8, 1991, from *Milliyet*, November 6, 1991.

[48] "PKK Militants Plan 'War' Against Government," FBIS, *WEU*, December 6, 1991, from *Turkish Daily News*, November 27, 1991.



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During the past year, the PKK battled to create a "liberated zone" by targeting the main elements of Turkish government in the ethnic Kurdish regions — civilian village officials; the 30,000 village home guards armed, if inadequately, by Ankara to defend Kurdish villages against PKK raids; and army posts. A leaflet distributed among the Kurdish villages in advance of the March 1992 spring offensive told the populace to obey the "instructions of the party, the front and the army." It demanded: "Arm yourselves. Every village must be turned into a center of rebellion, every house into a firing position, and every family into a rebellious guerrilla group." Kurds were ordered to form support groups for the insurrection, to establish underground food caches for the insurgents and the populace, to build air raid shelters, and establish courier networks. The leaflet said, "Children can be used as messengers. They can gather information on the movement of the enemy."[49]

The PKK draws its strength from the old and continuing grievances of an ethnic minority that feels, with cause, that its existence, language, and culture are threatened. The governments of Iran, Iraq, Syria, and even Turkey itself (as well as the Western powers) periodically manipulate Kurdish factions. At this stage, the PKK has been unable to seize and permanently hold territory, but it has been gaining adherents and has embarrassed Turkey internationally by raising charges of human rights abuse committed by military activities in the Kurdish regions. Internally, the persistence of the insurgency humiliates and might demoralize the army, that most respected of Turkish institutions.

In light of the traditions of the region, it seems probable that the PKK will continue to be used as a covert destabilizing weapon employed by Turkey's neighbors. Syrian or Iranian statements disavowing aid to Kurdish militants have proved unreliable and deceitful in the past. In June, Turkish military sources said that Öcalan had added Iraq as a new protector. An Iraqi military base some 20 miles south of Mosul has been turned over to the PKK. The Turkish military believes that much of the PKK's equipment was transported from the Bekka to the new base in Iraq. Should the political climate in Turkey deteriorate, as it did in the late 1970s, the PKK and other militants could then expand into urban terrorism. What Öcalan seeks, apparently, is a political settlement that would create a PKK-dominated autonomous Kurdish region and put him ahead of the other Kurdish leaders. If conditions become severe enough, Ankara might strike a bargain.

## Conclusion

It would be inaccurate to maintain that the utopian vision developed by Marx and Engels has burnt itself out. Likewise, the totalitarian party structure developed by Lenin, Stalin, and Mao to install socialism are not yet relegated permanently to the ash heap of history. Ideas and philosophic movements rarely die out so quickly.

[49] "PKK Pamphlet Urges Kurds to 'Prepare for War'," FBIS, *WEU*, March 19, 1992, from *Cumburiyet*, March 13, 1992.



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The Achilles' heel of Marxism-Leninism was always its economic theory and its view of human motivation. Countries where governments have tried to implement Marxism thus tend to collapse. But the lure of Marxism-Leninism has been its provision of a rationale and structure for armed insurrection. While the grievances of national minorities and ethnic groups remain, therefore, so too will the pull of Leninism. As a result, this is no time for self-delusion within the democratic countries.



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# Defense against Missiles: Patriot Lessons

by Marvin Feuerwerger

Anti-tactical ballistic missile (ATBM) programs are one of the few areas of growth in the Defense Department budget. Policy makers justify this growth on the basis of expanding regional threats and the concomitant need for U.S. forces to cope with these threats. Thus, Secretary of Defense Dick Cheney has claimed, "regional conflicts will become increasingly complicated by the proliferation of weapons of mass destruction and sophisticated conventional capabilities in the Third World," including tactical ballistic missiles.

A major impetus to ATBM programs has been the perception that the Patriot missile worked well during the Gulf war. U.S. president George Bush's *National Security Strategy* states that, "The record of the Patriot against Iraqi Scuds highlights the great potential for defenses against ballistic missiles, the critical role of missile defenses and the need to improve such defenses further."[1] However, critics of the Patriot, led by Massachusetts Institute of Technology professor Theodore Postol, have raised important issues about the Patriot itself and about the value of investment in the whole area of ATBMs.[2] The U.S. Army and Raytheon, the Patriot's manufacturer and primary proponent, profess success for the Patriot in the Gulf war and promise improved performance against future threats.[3]

The debate has expanded from the substantive dimension to the personal, with Patriot proponents and critics engaging in vitriolic attacks on each other. And this past spring, the U.S. Army threatened to challenge Professor Postol's security clearance following Raytheon assertions that his *International Security* article may have contained classified material.

[1] The White House, *National Security Strategy of the United States* (Washington, D.C.: Government Printing Office, 1991), p. 27.

[2] Theodore A. Postol, "Lessons of the Gulf War Experience with Patriot," *International Security*, Winter 1991/2, pp. 119-71.

[3] For the most extensive defense of the Patriot, see Robert M. Stein, "Patriot ATBM Experience in the Gulf War" (Raytheon Corporation, undated memorandum).

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**Thinking about Missile Defense**

Defenses against missiles, as well as defenses against aircraft, do not depend solely (or primarily) on the technical issues about performance of any one system. They should be considered within a framework that includes both military and political measures. Such an integrated approach would include at least the following elements.

*The ideal approach to missile defense is conflict avoidance,* that is, resolving in a favorable manner the dispute that might lead to the use of force. The expenditure of diplomatic efforts and financial resources may make conflict unnecessary.

The most obvious example of this phenomenon in our own era is the end of the cold war. The collapse of communism and the resolution of outstanding issues between the United States and the successor states to the Soviet Union have not only led to a general reduction in defense requirements, but have enabled the United States to change its approach to strategic missile defenses from a program designed to deal with a comprehensive threat to a far more limited system — Global Protection Against Limited Strike (GPALS). Well-applied assistance to the former Soviet Union may go much farther toward meeting overall American defense requirements than marginal dollars spent on missile defense.

Outside of the central U.S.-Soviet conflict, American administrations have often justified a variety of activities — such as security assistance and forward presence — as increasing regional stability, improving deterrence, and reducing the chances that the United States would have to employ its forces in combat.

*Arms control measures,* absent a peaceful resolution to disputes, can sometimes alleviate the threat if they are pursued with vigor and preferably with strong enforcement mechanisms. The most recent example of this phenomenon is the U.N. enforcement within Iraq of Security Council Resolution 687. Thus far, Iraq has destroyed hundreds of missiles under international supervision — a far more reliable method of eliminating threats than the effort required if those missiles were launched. In the long run, international efforts to prevent Iraq from manufacturing or acquiring weapons of mass destruction and ballistic missiles in the future, if successful, can clearly limit Iraq's capability to threaten American allies and U.S. forces, reducing the requirements for tactical ballistic missile defense. Yet, the international agencies responsible for carrying out the provisions of U.N. Security Council Resolution 687 have had to struggle for the resources necessary to do their job — a clear mistake in priorities on the part of the international community.

Going beyond the case of Iraq, President Bush's Middle East Arms Control Initiative aims to eliminate ballistic missiles as a class from the Middle East. Though the chances for this initiative depend heavily on the success of the Arab-Israeli peace process, any reduction in ballistic missile inventories or impediments placed on the procurement or development of advanced surface-



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to-surface missiles will ameliorate the requirements of missile defense for the United States and its allies.

*Deterrence policies*, backed by suitable capabilities, can maximize the prospect for persuading a potential opponent that the costs of using missiles against military or civilian targets are unacceptably high. Ballistic missile defenses can contribute to this deterrent if they convince the prospective opponent that his chances for success are minimal, while strong retaliatory capability will let him know that he will pay a heavy price for aggression. Some have argued that Saddam Husayn did not use his chemical warheads against U.S. forces or Israel during the course of the Gulf war precisely because he feared devastating retaliation.

**The United States must be careful to avoid wedding itself to any one missile defense approach or completely writing off another.**

*Offensive capabilities* in the threatened states can successfully diminish the ballistic missile threat before it becomes real. These could involve the further development of intelligence and precision guided munitions to target missiles before launch, or the development of special forces units that can seek out and destroy missile launching sites.

*Passive defenses*, such as decoys, protection, and mobility, are techniques that can be exploited to reduce the threat posed by ballistic missiles, particularly those as inaccurate as the current generation of Scuds. Further efforts to harden targets and protect civilian populations with shelters and improved construction methods may pay high dividends, as they did for Israel during the Gulf war.

*Active defenses* are necessary to defeat missiles that have been launched. The United States and its allies will have to employ active defenses, such as ATBMs, to defeat an incoming threat. This involves systems like the Patriot, Arrow, and Theater High Altitude Area Defense (THAAD) that are on the drawing boards, and the consideration of other efforts to destroy missiles before their terminal phase.

In looking at the threats that may face the United States until the end of this decade, it is evident that none of these measures can do the job perfectly or alone. Accordingly, the United States must be careful to avoid wedding itself to any one approach or completely writing off another.

At this time, perhaps the most spirited debate with immediate resource implications lies in the area of active missile defense — with particular emphasis on the performance of the Patriot during the Gulf war. The most productive course is to set passions aside and take a hard look at the areas of agreement and disagreement in the debate over the Patriot and other projected ATBM systems. Such an examination provides the best hope for reasonable policy formulation in this important area.



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**Agreement over the Patriot**

The vigor of debate about the Patriot has magnified disagreements and masked some of the underlying agreement between both sides. These areas of agreement may provide some foundation for policy formation.

*The Patriot was not fully successful,* but it may be able to intercept Scud-type missiles. Both Patriot critics and advocates agree that the Patriot did not do the full job in Israel or Saudi Arabia. But then, no one expected it to perform in this manner. The Patriot was designed for the entirely different purpose of air defense, and faced an extraordinary challenge in putting up any sort of defense against the Scuds. Most Patriot critics credit that system with at least some intercepts, and all believe it proved its mettle as an effective air-defense system.

The Patriot can almost certainly have at least limited military utility in future conflicts, particularly if its role is primarily limited to point defense. In such circumstances, the Patriot will seek to engage only those missiles with a realistic chance of hitting a particular high-value target, and Patriot success will thus be maximized, because any altering of an incoming missile's path will truly constitute a mission kill.

*The Patriot was psychologically important during the war.* Both critics and advocates believe the use of Patriot was an important psychological and political factor during the Gulf war. It supported America's policy of trying to keep Israel from directly engaging in the conflict. Given the lessons that the Israeli and other publics may have drawn from the Gulf war experience, no one can guarantee that the Patriot or similar systems will be able to perform a similar role in the future. But it is possible that missile defenses will give political leaders somewhat greater leeway than would otherwise be the case. Lacking any confidence in missile defense, a much greater tendency would exist to preempt in periods of tension.

At the same time, it is likely to be politically important in any democracy for leaders to be able to tell their publics that they are doing their utmost to protect them against missile attacks.

*Analysts need more data on ATBM performance* and greater efforts should be made to collect this information. Both Patriot advocates and foes agree that there is no full, perfect data on how the Patriot performed. Critics of the Army and Raytheon believe this is scandalous; others have noted that the requirements of war fighting often must take priority over the requirements of data collection, particularly when they come into conflict.

For the future, the Army and manufacturer agree that it will be necessary to take measures to insure greater confidence in information about Patriot performance.

*Additional funding for ATBM improvements is worthwhile.* While obvious disagreement exists about how much effort the United States should make to improve the Patriot, both supporters and critics agree that it is worthwhile to fund some Patriot upgrades. For example, Postol has stated that:



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There is a class of Patriot upgrades that could be implemented at costs that are considerably less than a billion dollars. Some aspects of this upgrade could improve Patriot performance against aircraft, as well as its marginal capability against ballistic missiles. Such a program would be a prudent and useful action, as long as everyone involved understands that the additional capabilities against ballistic missiles would likely be marginal, and that the commitment of vast resources towards more ambitious enterprises could well provide little additional capability.[4]

Support for the Patriot is based not only on its inherent capability, but on the fact that it is today the only operational ATBM system in the U.S. arsenal and is likely to remain so for a number of years. Should the U.S.-Israeli Arrow ATBM or the U.S. THAAD reach operational status, they may well supplant the Patriot for many missions. But that is at least several years away.

**Disagreement over Patriot**

Having set the context within which to consider the Patriot as a component of an integrated missile defense and having shown that there are broad areas of agreement about the Patriot's performance, let us turn to the areas of dispute.

At one extreme, critics of the Patriot, like Postol, have argued that the missile failed almost completely in its mission of destroying Scuds. Postol has stated that, "The evidence from these preliminary studies indicate that Patriot's intercept rate could be much lower than 10 percent, possibly even zero."[5] Reuven Pedatzur, a defense analyst with the Israeli *Ha'aretz* newspaper, claims that "the findings and analysis carried out in Israel during and after the war produced no authenticated proof that al-Hussein warheads were hit or destroyed by Patriot missiles."[6]

The U.S. Army and the Patriot manufacturer Raytheon have taken virtually the opposite position, although they have scaled back heady claims of near perfection made during Operation Desert Storm and its immediate aftermath. U.S. Army Major General Jay M. Garner has argued,

. . . Our initial assessment, completed in May 1991 in classified form . . . outlined an overall success rate of over 50% in Israel and over 80% in Saudi Arabia.
[After February 1992] the Army undertook a two step scientific approach to re-evaluate our initial assessment. . . . Based on this methodology, we are confident that over 40% of the engagements in Israel and over 70% of the engagements in Saudi Arabia were successful.[7]

[4] Postol, "Lessons of the Gulf War Experience with Patriot," p. 171.

[5] Theodore A. Postol, "Optical Evidence Indicating Patriot High Miss Rates During the Gulf War" (Statement before the House Committee on Government Operations, Mimeographed, April 7, 1992), p. 1.

[6] Reuven Pedatzur "The Israeli Experience Operating Patriot in the Gulf War" (Statement before the House Committee on Government Operations, Mimeographed, April 7, 1992), pp. 6-7.

[7] Major General Jay M. Garner, assistant deputy chief of staff for operations and plans, force development, statement before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Mimeographed, April 7, 1992.



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Official Israeli statements have tended to be more supportive of U.S. Army figures about Patriot success in Israel. A joint U.S.-Israel Defense Forces report credited the Patriot with about a 50 percent success rate. An evaluation of Patriot performance is difficult given the limited number of Scud launches during Desert Storm, but the debate has turned on four issues, as follows.

*What constitutes success.* Early discussions of Patriot success referred to a high percentage of "intercepts," without indicating that the Army took credit for an "intercept" whenever the Patriot system functioned from target acquisition through interceptor flight, including the detonation of the Patriot warhead at a point in space near its target.[8] Clearly, most discussions did not distinguish between failures, intercepts, and successful engagements.

**The Army's data on Patriot are imperfect and the evidence provided by critics is questionable.**

Even within the last category, definitional problems have plagued the debate. In its assessments of Scud missile engagements, the Army and Raytheon described two types of "kills": warhead kills (in which the Scud warhead was destroyed or dudded) and mission kills (in which the Scud was diverted with no significant ground damage). But it is obviously difficult to assess whether a dudding was caused by a Patriot engagement, by improper manufacture, or by Iraq's filling Scud warheads with concrete. It is similarly difficult to know whether a Scud was diverted outside the area of interest by a successful intercept or by other factors, such as its own break-up.

*Imperfect data.* The Army did not collect good data on the Patriot's performance during Operation Desert Storm.[9] According to a Congressional Research Service study, in its assessment of Patriot performance, the U.S. Army "did not seek to assess overall Patriot system performance nor attempt to deal with the issue of ground damage or casualties caused by falling Scud or Patriot debris. . ."[10] The Army admits that its data "is largely subjective and for the most part is collected after the event."[11]

If the Army's data are imperfect, the evidence provided by critics is even more questionable. Postol relies heavily on a large number of standard television videotapes of Patriot intercepts, which purportedly show a high per-

[8] Peter D. Zimmerman, testimony before the Subcommittee on Legislation and National Security, House Government Operations Committee, April 7, 1992, p. 2.

[9] Richard Davis, U.S. General Accounting Office, "Operation Desert Storm: Project Manager's Assessment of Patriot Missile's Overall Performance is Not Supported" (Testimony before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Mimeographed, April 7, 1992).

[10] Steven A. Hildreth, "Evaluation of U.S. Army Assessment of Patriot Antitactical Missile Effectiveness in the War Against Iraq" (Prepared statement for the Subcommittee on Legislation and National Security, House Government Operations Committee, Foreign Affairs and National Defense Division, Congressional Research Service, April 7, 1992), p. 3.

[11] Statement by Garner, p. 6.



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centage of Patriot failures. But Peter D. Zimmerman has demonstrated persuasively that such commercial video is "not merely unsuited to scientific study, but guaranteed to be misleading."[12] And the Congressional Research Service analyst who had criticized the Army's methodology for evaluating Patriot success labeled Postol's case as "worthless."[13]

Finally, the U.S. Army has thus far not declassified the best data in its possession, including its shot-by-shot assessments and the correlations of those assessments with damage reports. It would be extremely interesting to compare the reports of damage on a nightly basis to see whether more damage was produced on nights when the Army claimed Scuds were not intercepted than on those nights when it claimed success.

While no objective observer can determine conclusively the degree of Patriot success on the basis of the publicly available data, if the order of billions of dollars of Patriot missiles and associated systems can be viewed as a vote of confidence, then it is clear that the U.S. Army and the military establishments in Saudi Arabia and Kuwait either believe that the Patriot was successful in Desert Storm or that it can be made successful in future contingencies.

*The threat.* Whether the Scuds and their successors pose a threat worth planning against is another question, apart from that of the performance of the Patriot during Desert Storm. Postol argues that, from a military perspective, the Scuds were so inaccurate that they posed no real threat to Israel or Saudi Arabia.[14] This belief was also shared by the U.S. and Israeli militaries, who did not expend great effort in combatting the Iraqi missile threat until its political dimension became clear.

That the air threat can be much more potent than current missile threats is also clearly true. Indeed, one aircraft could conceivably have delivered more ordnance than all of the Scud missiles launched against Israel, and with a far greater chance of reaching its target. Unlike missiles, the same aircraft can be used for multiple missions if it is able to evade the target's defenses. And even Israel, despite a generally excellent record of air defense, cannot be considered invulnerable to air attack. Israel has historically been able to defend its cities against air attack from its Arab foes, but neighboring states' aircraft have penetrated Israeli defenses on occasion. Thus, at the margin there will necessarily be a debate about whether dollars should flow to improve a fairly robust air defense or to establish rudimentary missile defenses.

But if it is generally accepted that conventionally-armed Scuds posed only a limited military threat to Israel and Saudi Arabia, far more uncertainty exists about the future. It is widely believed that the accuracy of ballistic missiles will improve dramatically within the next decade as technologies related to

[12] Testimony of Zimmerman, p. 5.

[13] "Patriot Missile Performance," (Hearing before the Subcommittee on Legislation and National Security, House Government Operations Committee, transcribed by Federal News Service, Mimeographed, April 7, 1992), p. H-2-10.

[14] Postol, "Lessons of the Gulf War Experience with Patriot," pp. 164-70.



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Global Positioning Satellites are applied.[15] Moreover, if even unreliable Scud missiles are armed with unconventional warheads, they will be able to achieve far more devastating effects without any improvements in accuracy.

*Effectiveness of countermeasures.* Fairly simple countermeasures will be able to defeat ATBMs, according to critics such as Postol, even if the Scud threat is serious and the Patriot can be made to work.[16] Decoys, warhead dispersal, and other penetration aids may enable ballistic missiles to penetrate even improved defenses.

At the same time, far greater uncertainty exists as to whether opponents will realize the potential to mount such countermeasures. In many cases, countries that do not have extensive technological capabilities will have to purchase missiles and countermeasures "off the shelf." If the United States is familiar with the countermeasures, it may be possible to negate them. More generally, we must ask whether we should design no defenses against current threats just because a particular countermeasure is theoretically possible.

**A Call to Reason**

Critics of the Patriot have pointed to many of the problems that will plague ATBM programs: their susceptibility to countermeasures, the cost-benefit ratio, and the danger that they will not be optimally used. The question that the Defense Department and American allies will have to answer is whether current systems and those under development can deal with realistic current and projected threats at a reasonable cost.

Though it is impossible to answer this question with a high degree of certainty, it seems likely that the United States will find great utility in ATBM systems. Certainly, if American forces must in the future fight in locations where the opponent has only a primitive ballistic missile capability, even current generation ATBMs — like today's Patriot — can be of real value. Israel faces a somewhat tougher problem in that its opponents are likely to be much more capable, and thus the missile threat may be greater and more immediate. Nonetheless, Israeli decision makers and their counterparts in Saudi Arabia and Kuwait clearly believe that the Patriot can help them deal with some of their defense problems.

With respect to active defenses such as the Patriot, Arrow, or THAAD, it is most reasonable to conclude that they can be a useful part of any mix of approaches. The amount that the United States chooses to invest should depend both upon how threats evolve and how ATBM systems perform as they are developed. Thus, while systems like Patriot, THAAD, or Arrow cannot be expected to solve the ballistic missile defense problem, it would be wise to make at least modest efforts to see how well these systems can do.

[15] Arthur Knoth, "GPS Technology and Third World Missiles," *International Defense Review*, May 1992, pp. 413-16.

[16] Postol, "Lessons of the Gulf War Experience with Patriot," pp. 159-63.



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# Review Essay

## Politics is Primary in Reforming Socialism

by Jan Prybyla

**Resistance to Change in the Soviet Economic System: A Property Rights Approach.** By Jan Winiecki. New York: Routledge, 1991. 111 pp. $59.95.

**500 Days: Transition to the Market.** By G. Yavlinsky et al. English translation by David Kushner. New York: St. Martin's Press, 1991. 234 pp. $35.00.

**Restructuring the Soviet Economy: In Search of the Market.** By Nicolas Spulber. Ann Arbor: University of Michigan Press, 1991. 315 pp. $39.50.

**Milestones of Glasnost and Perestroyka: The Economy.** Edited by Ed A. Hewett and Victor H. Winston. Washington, D.C.: The Brookings Institution, 1991. 522 pp. $39.95, ($18.95, paper).

**Gorbachev's Struggle for Economic Reform.** By Anders Aslund. Updated and expanded edition. Ithaca, N.Y.: Cornell University Press, 1991. 240 pp. $44.95, ($14.95, paper).

**A Study of the Soviet Economy.** By the International Monetary Fund and the World Bank. Paris and London: Organization for Economic Cooperation and Development, 1991. Vol. 1, 456 pp.; Vol. 2, 305 pp.; Vol. 3, 407 pp. $100.00 for the three-volume set.

**Reform in Eastern Europe.** By Olivier Blanchard et al. Cambridge, Mass.: The MIT Press, 1991. 128 pp. $17.95.

**The Economic Opening of Eastern Europe.** By John Williamson. Washington, D.C.: Institute for International Economics, 1991. 112 pp. $11.95 (paper).

**Eastern Europe in the World Economy.** By László Csaba. Cambridge: Cambridge University Press, 1991. 256 pp. $54.50.

**Jan Prybyla** is a professor of economics at Pennsylvania State University and author of *Market and Plan under Socialism: The Bird in the Cage* (Hoover Institution Press, 1987), and *Reforms in China and Other Socialist Economies* (American Enterprise Institute Press, 1990), and co-author of *China and the Crisis of Marxism-Leninism* (Westview Press, 1990).



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The implosion of the socialist economies in East-Central Europe and the Soviet Union did not come as a surprise to those of us who accepted the analyses of F.A. Hayek and Ludwig von Mises ("Everything brought forward in favor of Socialism cannot make Socialism workable"). Like everyone else, however, we were a bit taken aback by the rapidity of the collapse and gratified by the comparative peacefulness of it — compared to the slaughter attendant upon the birth of socialism.

The disappearance of socialism in East-Central Europe and the USSR, along with the disappearance of Leninist states, should remind everyone of the close connection between economics and politics, and, indeed, of the primacy of politics in the process of socialist economic reform. Jan Winiecki, who for years hammered away from within communist Poland at the "distortionary, self-destructive features of the Soviet economic system," notes in the preface to his *Resistance to Change in the Soviet Economic System* that "the 'Spring of Nations' that took much of Eastern . . . Europe by storm was without a doubt a political phenomenon." This is a timely, sobering reminder for those — and they are legion — who think Deng Xiaoping's nibbling away at Soviet-type central planning, which has gone on for the better part of thirteen years now, will eventually bring China, chew-by-chew, zig-by-zag, price-by-price, and market-by-market, into a full market system, perhaps even to democracy, though under the guidance of a rejuvenated and benignly revisionist Communist party. What the events of 1989-1990 teach is that, to get rid of a socialist economy, the party has to go first. It may go through semi-voluntary dissolution from above, through revolutionary removal from below, or through a sell-out along the lines traced by Winiecki (see below). But only when the party is gone can anything structurally meaningful get done in the economy.

A related second lesson is that neoclassical economic analysis lacks a general theory of systemic transition, although it does provide some useful guidelines on specific topics (for example, the creation or re-creation of capital markets). A third lesson is that neoclassical economics — desiring to be pure, quantitative, and truly scientific (like physics) — has so separated itself from the humanities and social sciences as to be of little practical value to policy makers who are attempting to affect a transition from socialism to markets. Thus arises a need, implicitly recognized in most of the books reviewed here, for a revitalization of the roots that economics has in moral philosophy (rather than differential calculus), and an intellectual rehabilitation of the ancient art of political economy. Events since 1989 also indicate that such a rehabilitation will have to emerge empirically, from policy trial-and-error.

The need for a theory and art for affecting the transition to a market system arises because, contrary to a belief held in certain libertarian circles, capitalism does not just happen if people are left alone: "This cannot be done by the invisible hand of the market," says Lech Walesa. "The economic order is not formed by itself. The state authorities should not steer the economy directly, but should draft a framework for the system." To be sure, spontaneous action from below is indispensable to the emergence of dynamic markets. But freely



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elected governments are needed to supply the framework of commercial law, and to enforce that law so that separate and fragile markets can come together into a seamless market system.

Government is needed to protect emerging rights of private property and to help restructure and privatize the dinosaurian state conglomerates that socialism has created. It has to reform thoroughly the old, essentially redistributive fiscal system by: abolishing subsidies to financially ailing enterprises; spreading social safety nets (unemployment insurance, for example); transforming Leninist accounting and statistical systems; facilitating the integration of the domestic economy into the world market by the reduction or removal of barriers to external trade and finance; and so on. At the same time, government must not suffocate the infant market system with an inefficient, even if democratic, welfare state.

**In order to get rid of a socialist economy, the party has to go first.**

Unfortunately, just because a government is democratically elected does not mean that it will do what the International Monetary Fund, the World Bank, or individual economic advisors say needs doing. Even democratic government may be paralyzed by parliamentary factionalism, as Poland is today. In that country, ten major parties and nineteen minor ones have been unable to agree on much of anything, prompting former prime minister Jan Krzysztof Bielecki (a market reformer) to remark that "without a constitution, and with a very weak government that lacks even a simple majority, you cannot expect [that] all politicians will vote as international institutions wish [they] would."

In any event, the role of a noncommunist government in the move from socialism to a market system is an issue that has to be resolved by an emerging, empirically based, theory of systemic transition. Such a theory would encompass a range of issues, from the rejection of exogenous determination by the state of the economy's structure to the introduction of endogenous determination of that structure by individual competitive transactors (perhaps with the state encouraging producers who are successful in the market, as states have in some of the newly industrialized countries of East Asia). Other issues would include the pace of change; its sequencing (one-thing-at-a-time versus concomitant changes); and the all-important question of what constitutes the minimum critical mass of compatible institutions and ideas in a real market system. Does the "Scandinavian model" or the German *Sozialmarktwirtschaft* suffice, or must it be "raw" capitalism, U.S.-style?

These questions — as yet unanswered or unsatisfactorily answered — may come as a surprise to people who believe that "capitalism is what people do when you leave them alone." But at least the need to answer these questions is providing new job openings for economists who formerly compared socialism and capitalism or who studied centrally planned economies. The



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need for answers has also produced a sizeable migration of Western economists, many of them unfamiliar with central administrative command planning (or the local languages), for the purpose of offering their consulting services to fledgling and increasingly skeptical democratic governments in East-Central Europe, Russia, and other places. Not least, however, international economic agencies have provided ex-communist countries with financial and intellectual resources, but the advice currently tends to be based on these agencies' past involvement with developing market economies — not the most relevant preparation for transforming a totally different system.

**Current Analyses**

Much of this analysis, advice, and consultation has been published in the last few years, resulting in a massive outpouring of print. But while actual events are moving at nearly the speed of light, the explanations of those events in books, pamphlets, articles, conference transactions, and symposium papers flow lava-like, and a good deal of what is published is obsolete upon publication, if not before. It falls still-born from the presses. Moreover, it is as pricey as it is ephemeral.

Jan Winiecki's *Resistance to Change* has almost suffered this fate, but not quite. Although the book was finished in May 1989, nearly six months before the "November surprise," the damage is not fatal for several reasons. First, the author's diagnosis of the socialist rot focuses on property rights, emphasizing the link between political and economic systems in the Soviet-style universe. Secondly, Winiecki insists — and his insistence has been confirmed by events — that given the link between politics and economics, "no economic change (i.e., transition to the market system) is possible without preceding political change. Transition has begun in earnest only after the break of the communist monopoly on power." Note well, "Transition has begun." Even after a break in the communist monopoly on power, progress toward the market can be slow. Consider Russia, where the party formally renounced its power monopoly in February 1990, but where the big state industries were conducting business as usual as of mid-1992 and a mere eighty-thousand private farmers existed.

The property-rights thesis holds that "it is in the interest of the powerful segments of the ruling stratum in communist states [party apparatchiks and bureaucrats] to defend the patently inefficient economic system but the one from which they appropriate a not inconsiderable rent in ways that are incompatible with the normally functioning market system." The truth of this thesis can be seen, with some modifications, in present-day China, where apparatchiks and bureaucrats (especially at provincial and lower levels) push for disjointed quasi-market reforms but not a full transition to the market system. The reason is that they amass fortunes in the politically created cracks between the decaying plan and emerging markets; these cracks include multi-track prices and multi-tiered (semi-private) property rights.



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In May 1989, Winiecki proposed to buy out these thieves in return for their withdrawal from commanding positions and for liquidation of the Soviet-type system. As far as one can tell, Winiecki got this idea from Chinese-American economist Steven Cheung.[1] But in Eastern Europe and Russia, history has apparently thrown the rascals out before they could sell out. They still hang around, of course, now posing as market enthusiasts. As a result, the old "institutions . . . are still part of the system over which. . . Yeltsin presides."[2]

The problem with Winiecki's book is that the property-rights explanation of the apparatchiks' resistance to market reform can be stated in a few paragraphs. A few more suffice to note that self-interest, corruption, and greed are not the only contributors to such resistance. And so Winiecki's idea (good for an article) yawns itself to sleep through seventy-five pages, not counting the buy-out proposal.

Speaking of works that fall still-born from the presses, *500 Days: Transition to the Market* is an English translation of the economics proposal drawn up by a working group (headed by S. Shatalin) during the shaky alliance of Gorbachev and Yeltsin in August 1990. The plan is now history, the Soviet Union is no longer with us, and Gorbachev is in the hard-currency-raising and newspaper-column-writing business. Yeltsin, however, is still in charge (as of the time of writing), and thus the concepts contained in the document, while frazzled, can still be read with benefit. We see that the 500-days plan at least had a clear goal: a full market system, not some half-way house between plan and market, which was the original goal of perestroika, and which Gorbachev has not abandoned in his present exile. Some opponents of the 500-days plan, who favored a "big bang" transition, said with only slight exaggeration that the 500 days were too long by 499 days.

By contrast, Nicolas Spulber's *Restructuring the Soviet Economy: In Search of the Market* suggests that "decades, not five hundred days would be needed to convert state property into private property, to control the money supply, to unravel the maze of overlapping networks created under the administrative system." But Spulber's topic is much broader than that one plan. A dean of Soviet economic studies in the United States, Spulber offers a lasting and wide-ranging analysis of the Soviet economy's systemic problems, from before perestroika to the possible future. His work, informed by knowledgeable analysis, is indispensable for gaining a broad historical background on the Soviet economic system and the trials of pretend-structuring. Spulber rightly concludes, albeit in more polite language, that Gorbachev's perestroika was the lineal descendant of numerous earlier revisionist Marxist economic plans. That is, it hoped to save the termite-eaten socialist economic structure by shifting around the furniture (and garbage), rather than by digging out and replacing the foundations and rebuilding the house from scratch. The hope was to broker a socialist market economy — an unproductive marriage, as Yeltsin put it, of

[1] Steven Cheung, *Will China Go Capitalist?* (London: Institute of Economic Affairs, 1986).
[2] *The New York Times*, May 17, 1992.



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a hedgehog and a snake. Now perestroika is a memory, and the question is how to arrive at a market system, that is, at a situation "in which the market and its function in regard to price formation are not divorced from private property and the freedom of its owners to dispose of it as they see fit."

There is no dearth of books on how to go about it. But before turning to a few of them, one should note in passing *Milestones in Glasnost and Perestroyka: The Economy*, a dated but useful and expertly written collection of articles drawn largely from the journal *Soviet Economy*. These articles were authored (between 1985 and 1991) by well-known Western and Russian economists.

Also worth noting is Anders Aslund's *Gorbachev's Struggle for Economic Reform*, first published in 1989, reprinted in 1990, and then swiftly updated and expanded in 1991. Aslund's three scenarios for the future are: democratization and a full-fledged market economy, authoritarian stabilization, or chaos. At the time of writing, Aslund (Director of the Stockholm Institute of Soviet and East European Economics) was not betting the farm on the first. But since "old-time communism and totalitarianism appear difficult to revive . . . [and] the opportunity of democracy and swift marketization seems to have been bypassed for this time [1991, probably before the attempted Moscow coup] . . . [and] since it is difficult to see any functioning intermediary solution, such as market socialism . . . the mirage to be seen sooner or later seems to be a democracy and full-fledged market economy, as East-Central Europe suggests." Why "mirage?" If Aslund is right that a return to the old time religion (central command planning) is "difficult," a functioning market socialism is also "difficult," and democracy plus a full-fledged economy are a "mirage," then what is left? Logically, chaos. But Aslund concludes on a safe note, not a panicky one: "Whatever turn Soviet events will take in the next few years, they are likely to belong to the most important developments of this century." Clearly. Within a few months, these "Soviet" events ceased to be Soviet. That's how fast developments move nowadays.

In February 1991, the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development, and the European Bank for Reconstruction and Development put out a three-volume work — *A Study of the Soviet Economy* — at $100 for the lot, and worth every penny. The three volumes cover just about everything having to do with the former Soviet economy: concepts, structures, statistics, historical developments, you name it. No economist should leave home for the Commonwealth of Independent States (if that is still the name) without it. The 1,271-page compendium contains a staggering amount of incisive analysis and statistical data on every conceivable subject, mostly for the 1980s (stopping in 1989), sometimes going back to the 1970s, 1960s, and occasionally the 1950s. It describes the traditional command system and its development through 1985; reform efforts since that year, bringing the reform debate into 1990; structural fiscal issues; the changing roles of monetary and exchange-rate policies; the monetary overhang; and exchange



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and trade systems. All of that is in volume 1. Volume 2 covers prices, enterprises, and external trade reform; foreign direct investment; financial sector reform; the labor market; the social safety net; education and training; experience with incomes policies in selected OECD and East European countries; and legal reform. The last volume deals with the environment, distribution, transport,

**Perestroika's hope was to broker a socialist market economy — an unproductive marriage, as Yeltsin put it, of a hedgehog and a snake.**

telecommunications, agriculture, energy, metals and mining, manufacturing, and housing. It also provides an assessment of medium-term economic prospects, and a macroeconomic framework for the Soviet economy. Appendices galore contain valuable items — too numerous to mention — about an ex-state impoverished by its system. *A Study of the Soviet Economy* is a must for those interested in one of "the most important developments of this century."

The pocket-sized, ninety-eight-page *Reform in Eastern Europe* proves that high quality work can also be brief. In fact, in this reviewer's estimation, the authors have produced the best study of its kind to date. Their book is clear and scalpel-like. It wastes no words on jargon, and it is even decisive (with none of those tiresome "on the one hand, on the other hand" cop-outs typical of economists). The basic assumptions are that the transition in Eastern Europe is to a market system, albeit one with a nicely developed social conscience, and that governments there have an important role to play in such a transition. The building blocks of that transition are, in order: (a) stabilization and price liberalization; (b) privatization ("the first priority for enterprise reform must be a clear set of rules governing *what belongs to whom.* [This] has symbolic value as a sign of largely irreversible commitment to economic transformation. But much more is at stake"); and (c) restructuring. Stabilization, price liberalization, and privatization must proceed rapidly, the authors argue, while restructuring will take a decade or more. Their privatization proposals are based on two principles: fairness and efficiency. This, they believe, calls for privatization in two stages: the first to accommodate fairness, the second to factor in efficiency. As for restructuring, it will be long and painful: "Whole tracts of the economy will disappear," necessarily so. To ease the pain, "while current account convertibility is necessary to expose firms to proper competitive pressure, temporary tariffs may be justified. And a solid social safety net is essential for the millions who will be unemployed." This is an excellent little book that should be required for policy makers (even ex-policy makers, like Gorbachev) as well as university teachers and students.

An even slimmer volume (at ninety-two pages) is *The Economic Opening of Eastern Europe.* But this work is more narrowly focused on questions of currency convertibility and exchange-rate policy, and contains some



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case studies for individual countries, including Yugoslavia, which have since fallen apart. The book seems to be based on the results of a conference hosted by the Austrian National Bank in January 1991.

Also dealing with a non-existent economic arrangement is *Eastern Europe in the World Economy*, a solid but now historical work by a good economist. It is based on an earlier (1984) Hungarian language publication, and deals almost exclusively with the now dead Council of Mutual Economic Assistance. Nonetheless, one must congratulate the author for concluding presciently that "to adopt market principles including trade in convertible currency or to perish as a relict [sic] of the *ancien regime*: this is the real alternative for the East European regional cooperation system in the 1990s."


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# Correspondence

## The IAEA and Its Special Inspections

To the Editor:

Your Spring 1992 issue is a timely reminder that since the end of the cold war nuclear proliferation has become the most obvious danger to international security. But the articles by Leonard S. Spector and Paul L. Leventhal call for some corrections.

Spector is right in stressing the importance of providing the U.N. International Atomic Energy Agency (IAEA) with intelligence information so as to enable it to deal with any other clandestine nuclear programs (like Saddam Husayn's). Even the broadest inspection authority is no use to you if you don't know where to look. As Director General of the IAEA Hans Blix has pointed out, the IAEA's two hundred inspectors cannot be expected to engage in a blind search for undeclared plants.

Spector comments that "in the wake of its setbacks in Iraq" the IAEA "has begun to shed its timidity" and that at the December 1991 meeting of the IAEA Board of Governors, Blix requested "authority to begin exercising the agency's special inspection rights." This is not correct. The IAEA's right to carry out special inspections is enshrined in its 1957 statute and in two paragraphs of its 1971 safeguards system. Such inspections had in fact been carried out prior to the Gulf war, *but at declared facilities*. In December 1991, the director general simply informed the board of the procedures he intended to follow in exercising the IAEA's rights if there was reason to suspect clandestine activity. In February 1992, the board reaffirmed the IAEA's rights to undertake special inspections and to obtain the additional access and information it needed.

There was also no question of the IAEA "shed[ding] its timidity." Until 1991 there had been no hint or occasion for the IAEA to press for the inspection of an undeclared plant. It must be remembered that by far the greatest number of IAEA and Treaty on the Non-Proliferation of Nuclear Weapons (NPT) inspections take place in the open democratic societies of Europe, Canada, and Japan.

Incidentally, also in February, an IAEA mission headed by the deputy director general for safeguards was invited to Iran and was permitted to see the



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"scope and objective" of nuclear activities at five sites and facilities which the mission itself had selected. The mission found that the current activities at those locations were "consistent with the peaceful application of nuclear energy." Syria also has now negotiated an NPT-type (full-scope) safeguards agreement with the IAEA, and additionally, IAEA safeguards personnel have made two visits to the Algerian reactor.

In his article Leventhal recommends that the IAEA's statute be amended so as to transfer to the Security Council the safeguards authority of the IAEA's board of governors "which over the years has been dominated by industry interests and non-NPT countries that have succeeded in keeping the agency's safeguards as weak as possible." There is no factual basis for this statement. It is correct to say that some non-NPT countries have resisted previous attempts to strengthen IAEA safeguards, but since the mid-1960s their resistance has almost invariably been unsuccessful. The pressure for strengthening safeguards has come from within the secretariat and precisely from those "industry interests" to which Leventhal refers, namely from representatives of the United States, Canada, Australia, the former USSR, and spectacularly in recent years, from the EC countries. Leventhal goes on to say that, "The board, for example, has never authorized short notice, challenge inspections." This is equally wide of the mark. The board has never been asked to authorize such inspections. The authority for such inspections (as Leventhal notes) is in the NPT safeguards system and the right to initiate inspections resides with the Department of Safeguards and with the director general. The board's authority would be invoked only if the nation concerned were to refuse an inspection.

As Leventhal points out, under the IAEA statute an amendment to transfer safeguards authority to the Security Council would have to be ratified by two thirds of the IAEA's members. The amendment must also first be submitted to the board for its observations. Neither the board nor the IAEA's membership is likely to recommend depriving the IAEA of one of its principal functions. On the contrary, at the IAEA's general conference last September, most of the IAEA's members went out of their way to stress the importance of the safeguards function of the agency.

The proposed recipient of the safeguards authority, the U.N. Security Council, is essentially a committee of fifteen senior diplomatic officials and their staffs. Until 1990 the council was frequently paralyzed because of the right of any of its five permanent members to veto any decision that the others wanted to take. The council's primary responsibility is to maintain international peace and security — in practice to deal with major crises wherever they occur (Iraq, Namibia, Cambodia, Afghanistan, Mauritania, Yugoslavia, and so forth). The council is neither designed nor equipped, nor would it wish to take responsibility, for the day-to-day management of a complex technical operation of which the main work is the accounting and control of the nuclear material in the 150 non-weapon nations now party to the NPT. As Dr. Blix has stressed, the council certainly has a vital role to play in enforcing the IAEA's inspection rights,



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as it did in Iraq (and, under the IAEA statute, the board of governors has direct access to the council). In an important passage in the communiqué it issued at the end of its January 1992 summit, the council reaffirmed that enforcement role: "The members of the council will take appropriate measures in the case for any violations [of the NPT or the IAEA safeguards] notified to them by the IAEA."

David Fischer
Consultant to the IAEA

**Paul Leventhal responds:**

David Fischer himself acknowledges the need to transfer the "special inspections" authority from the IAEA to the U.N. Security Council when he says, "Until 1991 there had been no hint to or occasion for the IAEA to press for the inspection of an undeclared plant." That is precisely the point: IAEA inspectors, having neither the political authority, the inclination, nor the technical and intelligence resources to ferret out clandestine nuclear activities, have studiously avoided looking for them. Instead, they have confined themselves to confirming nuclear materials balances at declared plants. Unfortunately, these so called "routine inspections," although symbolically important to the vast majority of IAEA members wishing to demonstrate their *bona fides*, do nothing to fulfill a fundamental security interest shared by all of these members to uncover the bomb programs of those few who are prepared to cheat on their IAEA and NPT commitments.

Iraq finally demonstrated the extreme danger of such a flawed system. On the basis of IAEA inspections of the few declared plants within Iraq's sprawling Tuwaitha nuclear installation (where dozens of buildings were undeclared and therefore uninspected), IAEA Safeguards Director Jon Jennekens was moved to declare Iraq's nuclear behavior "exemplary" soon after the Iraqi invasion of Kuwait. This same official also recently announced there was "not a shred of evidence" of a nuclear weapons program in Iran following his visit to Iranian installations of the IAEA's own choosing. Nor has the IAEA found any evidence thus far of a weapons program in North Korea. What a relief!

Fischer failed to point out that the reason IAEA Director General Hans Blix "simply informed" the board of governors that he intended to carry out the special inspections authority "enshrined" in its 1957 statute (but never activated) was that the board had rejected Blix's appeal for the *board itself* to declare its intentions to activate this authority. In the face of opposition from some board members to the exercise of such intrusive inspection rights, Blix had no choice but to inform the board of his intention to do so.

Given this institutional aversion to playing an intrusive, adversarial role, the IAEA should delegate its special inspection authority to the U.N. Security Council, to be exercised through a permanent version of the special commis-



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sion now in the process of uncovering and destroying Iraq's nuclear weapons program. Sure, as Fischer points out, the veto power of the five permanent members *might* cause paralysis in some future crisis, but we now know first hand the Iraqi crisis and the potential Iranian and North Korean crisis that result from the IAEA's permanent paralysis!

Better to take our chances with the Security Council, which is far better suited than the IAEA to obtain intelligence information and to draw upon the expertise and personnel of the U.S. weapons laboratories — as the special commission demonstrated in the case of Iraq. If the IAEA is unwilling to relinquish the authority it is unable to exercise effectively, the Security Council should take the initiative and assert it. Otherwise, we will have to await the next nuclear crisis before the IAEA's special inspections authority inevitably moves to the Security Council.

Paul L. Leventhal
Nuclear Control Institute

**Leonard Spector responds:**

David Fischer is correct that the IAEA has long possessed the legal authority to conduct special inspections. In my subsequent writings, I have used the more precise formulation that in December 1991, the agency "reactivated its long-dormant authority" to conduct such inspections.

I must differ with my friend, however, on the question of whether the agency displayed timidity prior to the end of the 1991 Gulf war. Such trepidation was manifest, particularly in the agency's inaction with regard to Iraq.

We know that the U.S. coalition bombed many of Iraq's previously undeclared nuclear sites — in addition to those Baghdad had declared to the IAEA. This leaves no doubt that prior to the conflict, the United States and possibly other nations had reason to suspect that Iraq was acting in violation of its IAEA safeguards agreement *and had identified specific locations where possibly illegal activities were taking place.* It is hard to imagine that the IAEA was completely unaware of this information. Indeed, by August 1990, Iraq's clandestine efforts to develop a uranium enrichment capability using gas centrifuges had become public knowledge; surely the agency knew of these activities much earlier through governmental sources. Since the IAEA, as Fischer and I agree, had the legal authority prior to the war to demand a special inspection of suspect locations, why did the agency not do so before Iraq invaded Kuwait in August 1990?

Perhaps the answer lies in the agency's "hear-no-evil" practices before the war. The very fact that since the conflict the IAEA has decided to establish formal mechanisms for obtaining information on suspect activities in NPT member states — by setting up a special office to receive intelligence information, developing a database of published reports on undeclared nuclear activities, and systematically collecting the observations of IAEA inspectors — dem-



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onstrates how reluctant the organization was in the past to adduce evidence that might have demanded aggressive enforcement action. Such passivity was hardly a sign of boldness.

Leonard S. Spector
Carnegie Endowment for International Peace

## Non-Proliferation as a Foreign Policy

To the Editor:

In his essay "Nuclear Proliferation in the Middle East" (Spring 1992), Leonard S. Spector glosses over the fact that during the run-up to the Gulf war he failed to raise the tough questions that could have compelled a divided U.S. intelligence community to delve deeper into the scope of Iraq's nuclear weapons program. Published on the eve of the Gulf war, Spector's book, *Nuclear Ambitions*, asserted that "Iraq's nuclear program had remained dormant through mid-1988."

Instead of advocating support for the U.S. strategic defense programs that will project U.S. leadership and undergird future multilateral arms control arrangements, Spector's article seeks to revitalize the IAEA and the NPT. As instruments of enforcement, the credibility of both bureaucracies has been damaged badly by events connected to the Gulf war. By attempting to reinvent this ineffectual nuclear control regime, Spector provides a revealing example of how the political correctness endemic to the nuclear non-proliferation movement is infiltrating the broader arms control debate.

For nearly three decades, the issue of nuclear non-proliferation has been the stalking horse for a liberal foreign policy elite that sought to end the cold war not by rolling back communism, but by subordinating U.S. strategic interests to their minimalist view of America's global role, and to certain moral and ethical norms; the current operative term for this approach to U.S. foreign policy is "Soft Power," based on a theory frequently espoused by Joseph Nye of Harvard University. During the 1960s, the liberal elite successfully co-opted sectors of the growing peace movement, elements of which — it is now widely known — received covert KGB assistance in an attempt to weaken the U.S. security structure. Ironically, the liberal-dominated non-proliferation movement gained political currency not by democratizing, but by containing the nuclear policy debate, helping create the political space for the dénouement of the successful arms control policies of the Nixon and Ford administrations.

In an act of comity, Spector avoids discussing the impact of President Jimmy Carter's non-proliferation policy on the Middle East. Consistent with the moral tenor of the post-Watergate era, Carter's aggressive policy touched off a wave of anti-U.S. sentiment in much of the developing world, causing traditional clients of the U.S. nuclear industry to look elsewhere for suppliers. In-



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stead of managing the issue of non-proliferation, Carter's experts employed a confrontational style that drove commerce of nuclear technology, particularly in the Middle East, deeper underground.

Spector should have noted that Iran and Iraq took major steps to circumvent international controls during this period, triangulating their nuclear trade with Latin American (Argentine, Brazilian) and European (mainly French and German) companies. In this essay, as in his other works, Spector's orthodox, country-by-country approach to tracking the spread of nuclear weapons technology focuses on end-user nations, while making short shrift of the suppliers and their international linkages.

Spector's call for a stronger IAEA regime encourages the growth of a stultified international nuclear bureaucracy whose creation was necessitated by cold war politics. The dual IAEA missions of promoting nuclear commerce and controlling nuclear technology are contradictory and costly in our post-cold war era. Promotion of nuclear commerce and enforcement of nuclear safety standards can be done more effectively by the World Association of Nuclear Operators, a growing and highly effective private organization, through its regional offices in the United States, Russia, Great Britain, France and Japan. A downsized, mission-oriented IAEA, tailored to rapid response investigations of weapons proliferation, could act as a first-line force in promoting global nuclear security. But as the lesson of Iraq has shown, compliance with the provisions of any future nuclear control regime must be linked to the willingness of the United States and its allies to respond to nuclear renegades with military force. It was only after the allied military victory against Iraq that Saddam Husayn's regime, albeit begrudgingly, allowed U.N. teams to carry out inspections of the infrastructure Iraq developed to produce nuclear weapons. In his article, Spector overlooks the role U.S. political and military leadership will have to play to guarantee the viability of any future nuclear control regime.

The disintegration of the Soviet Union makes Spector's vision of the strengthened NPT all the more problematic. The West set a bad precedent, quickly recognizing the Baltic republics without linking recognition to their joining the NPT. A commitment from the Kravchuk regime to sign the NPT was not a condition for Washington recognizing Ukraine, now the world's third largest nuclear power.

The United States has few if any political incentives to offer nations who might be willing to support Spector's notion of a strengthened NPT. Moreover, the 1990 NPT review conference — the last such meeting before members vote whether to extend the treaty in 1995 — ended in controversy, with participants unwilling to agree on the future shape of the treaty.

In spite of more than three decades of work by the non-proliferation movement, the Middle East now boasts the largest concentration of developing nations who have acquired nuclear capabilities and delivery systems, or possess the industrial infrastructure to manufacture them. Speaking at the University of Virginia on March 19, 1992, U.N. inspector David Kay said, "Iraq had acquired equipment capable of making thirty Hiroshima-sized atom bombs a



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year." Kay also said that Iraq's program to develop a nuclear capability employed more than twenty thousand people.

The pathology of prohibition fomented by the nuclear non-proliferation movement, supported by sympathetic politicians and program funders at major foundations, and propagated in Spector's article, helps motivate emerging nations to acquire nuclear capabilities by conditioning their access to such technology. Perceiving the denial of access as a threat to their sovereignty, emerging nuclear nations are developing ever more creative procedures to circumvent international controls. Nearly seventy years ago, limitations on the construction of warships, imposed by the Washington Naval Conference, produced a massive proliferation of weapons technology that set the stage for World War II. Unless backed up by strategic defenses and other components of U.S. military power, Spector's proposed nuclear control regime could very well produce a similar effect.

Eric Ehrmann

**Leonard Spector responds:**

Interspersed with Ehrmann's fulminations are several points that deserve a serious response.

First, Ehrmann's call for a restructuring of the IAEA is premature. No one can disagree that the organization failed to detect, much less address, Iraq's clandestine nuclear program prior to the Gulf war. Since then, however, the agency has struggled to reestablish its credibility and seems to have made important progress, as seen in its activation of its special inspection authority and its strengthened ties to the U.N. Security Council. Key tests of the "new" IAEA are under way. In the months ahead, it must root out the remnants of Iraq's nuclear program under Resolution 687; demonstrate that it has brought all South Africa's weapons-grade uranium under its safeguards system; gain access to all facilities of concern in North Korea and establish their past operating history; and retard Iran's nuclear advances with the threat of special inspections of suspect sites in that country. If the IAEA can meet these challenges — and its performance must be monitored closely — a wholesale restructuring of the agency would seem unwarranted. Given the organization's past failings, Ehrmann has a right to be skeptical, but it is too soon to make a final judgement about the agency's future. On the other hand, if it does appear that the agency is failing to meet the challenges before it, Ehrmann's proposals, among others, will certainly deserve a closer look.

Second, my assessment in *Nuclear Ambitions* that Iraq's nuclear program was dormant between 1981 and 1988, was indeed incorrect, as Ehrmann notes. Unfortunately, U.S., Soviet, and Israeli intelligence were also largely in the dark at the time about Iraq's clandestine nuclear activities during the 1980s. I hope I will not be faulted for being no more perceptive than the world's premier intelligence services.

Third, regarding the dangers for the non-proliferation regime from the



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break-up of the Soviet Union, I agree with Ehrmann that leakage of know-how and matériel from the Commonwealth of Independent States could well overpower existing nuclear controls in the Middle East — and I said as much at the close of my article. Whether Belarus, Kazakhstan, and Ukraine should have been obliged to join the NPT prior to U.S. recognition is a closer call. Prompt recognition was important to foster stability within the Commonwealth of Independent States, and the U.S. government claims to have received assurances from all three republics that they would join the NPT as non-nuclear weapon states. Adherence prior to recognition would have been far preferable, but it may have been impractical under the circumstances.

Finally, far from failing to address in my work the issue of clandestine nuclear trade between the advanced suppliers and the emerging nuclear states, I have been in the forefront in raising this issue. I would refer Ehrmann to the "Nuclear Netherworld" chapter in *The New Nuclear Nations* (New York: Vintage Books, 1985); "Nuclear Exports: The Challenge of Control" (with Jacqueline R. Smith), a special report published in April 1990 on nuclear smuggling that received international attention; and the "New Patterns of Nuclear Trade" chapter of *Nuclear Ambitions*.

## A New Approach for Limiting Chemical Weapons?

To the Editor:

No one can disagree with Kathleen Bailey that a chemical weapons ban will entail problems. Chemical weapons problems already exist *without* a ban, as everyone knows. The real problem is to find a way of minimizing them. There are several routes that point in that direction: the one labeled "old world order," with force at its base, and the less-travelled path through the rough terrain of confidence building.

Bailey has stuck with the first, seeming disappointed with George Bush for his commitment to a multilateral ban. She opts for agreement on a sanctions regime rather than on a verification regime, both difficult to negotiate but the former perhaps even more so. In dismissing verification as impossible, she stands with the school that thinks in terms of "absolute proof," neglecting the strong deterrent effect of routine and challenge inspections, even infrequent ones. Also overlooked is the intensified difficulties of clandestine operation under such a regime, requiring technological sophistication that may not be available to all would-be proliferators. Even when verification measures provide only inconclusive evidence, they alert the world to possible danger and can elicit close monitoring of the situation, further escalating the difficulties for the proliferator.

Moving into a new realm, the confidence-building route enhances the credibility of states that use the verification regime to demonstrate their com-



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pliance. Mutual trust can build as declarations are confirmed time and again and states recognize the value of openness.

But what of the risks to industry? The Chemical Manufacturers Association and their counterparts throughout the developed world have replied, in a statement released last year, that they strongly support the early conclusion of a verifiable ban on chemical weapons. They appreciate and accept the need for an efficient and comprehensive verification system, including challenge inspection, anytime and anywhere. They believe that effective inspections can be performed "without excessively penalizing legitimate activities."

Finally, Bailey makes much of the costs of verification (although much of the national cost will be willingly borne by the U.S. chemical industry, to the astonishment of the Pentagon). Going with her figures for inspection, plus travel and support expenses, the international costs to the United States could not possibly exceed about $50 million. In 1990, the year President Bush terminated production of chemical weapons, the Department of Defense requested $169 million for their production. The question is whether we want to invest in a real new world order or continue to put all our eggs in the Pentagon's basket.

Barbara Hatch Rosenberg
Department of Natural Science
SUNY, Purchase



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WORLD POLITICS

**Democracy and Human Rights in Developing Countries.** By Zehra F. Arat. Boulder, Colo.: Lynne Rienner Publishers, 1991. 219 pp. $33.50.

Why does democracy flourish in some countries and wither in others? Arat is the latest in a long line of political scientists who have tried to answer this question. She first develops a measure of "democracy" in a country, based on opportunities for participation in elections, the ability of parties to compete, and the relative degree of force used by the government to impose order. After calculating this index for most countries over the period 1948-1982, Arat correlates changes in the degree to which a country is democratic with such factors as economic development, distribution of income, government structure, and cultural segmentation. Several case histories back up the statistical study.

Arat concludes that, thus measured, democracy is most likely to withstand the threats of coups and civil unrest if the majority of citizens share equally in the economic growth of their country. While interesting, this conclusion has a dubious premise, for Arat simple-mindedly equates economic rights with "equal distribution of income." In reality, the economic analogue to democracy (that is, political opportunity) is economic opportunity, not equality, and it is notable that such free-wheeling capitalist states as Taiwan and Hong Kong are not included in her analysis. B.B.

**The Exit from Communism.** *Daedalus*, Spring 1992. 292 pp. $6.95.

*Daedalus* (the journal of the American Academy of Arts and Sciences) deserves special credit for bringing together studies by some of the best informed analysts of communism. All those who are concerned with the difficulties of the transition from communism to democracy will find this issue useful and engrossing.

S.N. Eisenstadt looks at the nature of the anticommunist revolutions of 1989 and shows that, unlike previous dramatic changes of regime (the English, French, or American revolutions), these were definitely non-teleological, non-messianic, and non-utopian transformations. Frank Manuel writes a superb "requiem for Karl Marx," arguing that, despite the countless abominations perpe-



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trated in the name of Marxism, "the banner that he unfurled need not be interred with his bones." Yet can one separate the banner from the movements that brandished it? To be sure, as Leszek Kolakowski writes here, Marxist sects will possibly survive because "they have voluntarily decided to live permanently in the immutable reality of the past." As for the future, Martin Malia identifies the principal danger as "statist stagnation with a welfare face." V.T.

**Federal Systems of the World: A Handbook of Federal, Confederal and Autonomy Arrangements.** Edited by Daniel J. Elazar. Harlow, Essex: Longman Group UK Ltd., 1991. Distributed in the United States and Canada by Gale Research Inc. 402 pp. $105.00.

Elazar, director of the Center for the Study of Federalism at Temple University, sees federalism as a "leading political concept" in the aftermath of the cold war and the breakup of the Soviet bloc, as ethnic and tribal tensions reemerge and rise in importance. His introduction explains the utility of examining governments through the lens of federalism; the fifty-six entries comprising the book constitute an "inventory [of] all known examples of federal and autonomous arrangements." States most commonly rely on federal arrangements, though the book also covers such international confederations as the European Community. Each entry includes an overview and a description of the governmental structure, its constitutional principles, its international relations, and the representations of autonomous entities (flags and anthems). The entry finishes with an assessment of the political culture, recent constitutional developments, and a list of references.

Understandably, Elazar overstates his case in depicting a "federalist revolution." The European Community still has not achieved a supranational government, and Yugoslavia illustrates the possibility of movement away from federalism. Likewise, the Commonwealth of Independent States is plagued by independence movements and inter-republic wars.

But a greater drawback of *Federal Systems* is that it tries to do too much. Determined to cover every system (including tiny states like Vanuatu) and every detail (like anthems), the work fails to develop potentially influential analyses of how successful systems actually operate. The result is a for-the-record, just-the-facts almanac that hardly seems to warrant the steep price.

Michael Hong

**Immigrants in Two Democracies: French and American Experience.** Edited by Donald L. Horowitz and Gérard Noiriel. New York: New York University Press, 1992. 497 pp. $45.00. **New Immigrants and Democratic Society: Minority Integration in Democratic Societies.** By Marilyn Hoskin. New York: Praeger, 1991. 165 pp. $39.95.

Americans tend to think only of other new countries (Canada, Australia, Argentina) as fellow-immigrant societies; but in important ways, the French experience has more relevance. Not only is the general circumstance similar



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(today, some 7 percent of the American population is foreign-born, 8 percent in France), but mass immigration to the two countries began about the same time (the mid-nineteenth century) and has drawn on roughly the same sources (Europe in the past, non-Western countries today).

Working over a three-year period, a U.S. team from the American Academy of Arts and Sciences and a French one from the Ecole Normale Supérieure compared their countries' immigrant careers in some detail; the results are fascinating. Unfortunately, as in most multi-author books of a comparative nature, most contributors to *Immigrants in Two Democracies* did not bother to learn about the other country: only Horowitz's pathbreaking introduction and an article comparing immigration policy (by Sophie Body-Gendrot and Martin A. Schain) actually engage the dual experiences. For the rest — conceptualization, demographics, education, religion, spatial patterns, work, legal aspects, discrimination — the authors stolidly present their information, often talented summaries of prior work, but not new thinking inspired by this creative project. Even in translation, some of the French pieces (for example, Michel Oriol's chapter on religion) have an elliptical quality likely to baffle most American readers.

Hoskin more briefly compares four countries, the United States, Canada, Great Britain, and Germany, looking in particular at the reasons for public hostility to immigrants. Is it fear of unemployment, of foreign language and culture, of crime, of political differences? What factors most influence a person's attitudes — educational level, income, age, ideology, or first-hand experience with immigrants? Armed with survey research and statistics, Hoskin concludes that values count most, followed by education and age. Occupation and party preference matter less. She also reaches the surprising but pleasant conclusion that contact with immigrants improves a native's attitudes towards them. Writing from a pro-immigration point of view, she calls on political parties to get the word out on the facts about immigration. D.P.

**In Search of a New World Order: The Future of U.S.-European Relations.** Edited by Henry Brandon. Washington, D.C.: Brookings Institution, 1992. 171 pp. $19.95.

Brandon and eight other authors (seven Europeans and one American) look to the future of U.S.-European relations following the cold war and the potential formation of a European monetary and political union based on the Maastricht treaty. Their views differ widely. David Owen argues that any attempt at union will be thwarted by ethnic divisions within Europe; in contrast, Michel Rocard believes that economic and monetary union will form the basis for eventual political union.

All the authors agree that NATO must adapt to the Soviet collapse but none offers concrete suggestions for how it should do so. Michael Stürmer, for example, merely calls for modifications of the present "transatlantic arrangement." James Schlesinger, the sole American contributor, says NATO must as-



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sume a significantly smaller role in the wake of the cold war, and expects European-American relations to grow increasingly more distant. He cautions, however, that the United States must take a firm stand against allowing any future European monetary union to "become a vehicle for joint discrimination" against the United States.

The lack of concrete suggestions gives the majority of these essays a highly speculative quality. No doubt this is because a major factor in the authors' analyses — European monetary and political union — does not yet (and may never) exist. In light of this uncertainty, the authors' failure to offer solid conclusions about the future of U.S.-European relations is not surprising, however disappointing. Carolyn Dasher

**The Mind of the Political Terrorist.** By Richard M. Pearlstein. Wilmington, Del.: Scholarly Resources, Inc., 1991. 237 pp. $40.00.

Often portrayed by the media as out-of-control psychotics, terrorists are, by and large, considered psychologically normal by many experts, because (in a commonly used phrase) "no striking psychopathology" has generally been found in terrorists who have been studied.

Contrary to this often expressed expert opinion, Pearlstein's thesis — based on interviews, studies, psycho-histories, and occasional autobiographies — holds that most terrorists have narcissistic personality disturbances, a condition often caused by childhood self-esteem injuries that result in grandiose and aggressive compensatory behavior. He presents the most thorough discussion available anywhere of the relationships between such narcissistic personality disorders and terrorism, then provides illustrative case histories of right-wing neo-Nazis, Puerto Rican Armed Forces of Liberation members, and terrorists of West Germany's Baader-Meinhof Gang. He concludes with suggestions on dealing more effectively with terrorists, not only in negotiations but in dampening the media's tendency to provide some of the terrorists' desired psychodynamic rewards. He also discusses the problem of predicting future attacks, including "super-terrorist" attacks with nuclear, chemical, or biological weapons.

Pearlstein's welcome analysis supports those who maintain that findings of "no striking psychopathology" do not mean that terrorists are healthy. It also helps to counter approaches that insist the extreme behavior of terrorists usually results from conscious choices, logical thinking, or willful decisions to use violence instrumentally. Carroll A. Weinberg

**New World Disorder: The Leninist Extinction.** By Ken Jowitt. Berkeley: University of California Press, 1992. 351 pp. $30.00.

Jowitt, a knowledgeable interpreter of Leninism, here discusses in a vivid and absorbing manner the main causes of the breakdown of communism and the prospects for democratic reconstruction in the former Soviet-style societies. His diagnosis is far from "end-of-history" euphoria: he identifies new



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and old conflicts between civic-oriented and ethnic-oriented groups and parties, the difficulties of establishing democratic cultures in societies with little memory of any procedural institutional behavior, and the ominous rise of fundamentalisms of all sorts ("movements of rage") as a response to the collapse of ideologically based authoritarianisms.

For Jowitt, the Leninist legacy in the former Soviet Union and Eastern Europe includes a widespread suspicion of politics, with strong anarchist potential; the pre-eminence of rumor as a form of discourse that subverts the sober analysis of urgent social problems; and a political class still ready to favor paternalistic methods instead of familiarizing these societies with "methodically rational" action. As an astute observer of Sovietism in all its varieties, Jowitt correctly points out that this Leninist legacy amounts to a political maelstrom hindering the assertion of liberal capitalist democracy. His is not a pessimistic or apocalyptical perspective, but an invitation to a less triumphalist discussion of the new challenges emerging in a "world without Leninism." Chock-full of fresh insights, consistently rejecting conventional platitudes, *New World Disorder* is one of the few valid attempts to draw theoretical conclusions from the avalanche of data and news about the demise of communism. V.T.

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WAR STUDIES
By Bruce Berkowitz

**Arms Control and Weapons Proliferation in the Middle East and South Asia.** Edited by Shelly A. Stahl and Geoffrey Kemp. New York: St. Martin's Press, 1992. 248 pp. $39.95.

Stahl and Kemp's collection of eighteen essays serves the beginner but ultimately disappoints the specialist. Five chapters provide a professional overview of the political and military problems spawned by the proliferation of new technologies and unconventional weapons (nuclear, chemical, and biological). Six chapters assess the problem from the perspectives of Egypt, Israel, Iran, Iraq, India, and Pakistan. Unfortunately, the nationals who represent their respective countries' "national perspectives" were not presented with a common set of questions, nor were they pushed to identify policy options faced by their governments or to make in-depth assessments of probable choices. The resulting essays are therefore weak, diffuse, and not terribly informative of policy.

Of the remaining essays, Janne Nolan's tough-minded look at the alternatives the United States faces in trying to stem the proliferation of ballistic missiles, and Stephen Cohen's analysis of the nuclear problem in South Asia, are models of what the next conference on the subject should require of all participants. Alvin Z. Rubinstein.



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**Flying Blind: The Politics of the U.S. Strategic Bomber Program.** By Michael E. Brown. Ithaca, New York: Cornell University Press, 1992. 358 pp. $47.50.

Brown takes an innovative approach to an old question — why the Pentagon cannot spend money wisely or effectively. By reviewing every U.S. bomber program since World War II, he identifies patterns which explain why some aircraft got delivered on time, on budget, and performed as planned, and why others did not. In brief, technology requires time for development and evaluation; problems occur when planners overstep this "natural pace" and enter production while still working out the bugs.

Brown shows that even highly advanced aircraft (for example, the B-47, B-52, and B-1A) have been produced successfully in a relatively short time, but that overruns and technical snafus result when planners and politicians shave off a few critical years in the procurement process (for example, the B-70 and B-2). The most telling case is the B-1B, which grew out of the already developed B-1A prototype but was not allowed enough time for its designers to evaluate the modifications properly. In all, Brown makes a telling argument for "sequential" rather than "concurrent" development.

**Informing Statecraft: Intelligence for a New Century.** By Angelo Codevilla. New York: The Free Press, 1992. 491 pp. $24.95.

Codevilla argues that the United States won the cold war despite, not because of, the quality of its intelligence gathering; and today, the U.S. intelligence community is even less competent to cope with the increasingly complex and unstable world that is emerging. The author, a very well-read scholar who served for several years on the staff of the Senate Select Committee for Intelligence, has excellent credentials to make this argument. Better, he meticulously buttresses his assertions, in the course of which he offers many revelations. For example, he provides a detailed account of how a self-interested CIA mishandled the supposed KGB defectors, Yuri Nosenko and Vitaly Yurchenko; he also shows, by way of contrast, how creative CIA agents turned a Soviet official who was an avid philatelist into a U.S. spy (by offering him a rare stamp).

Codevilla particularly worries about senior CIA officers attempting to influence policy. This problem might be receding; younger analysts appear determined to pursue the facts and their implications, whether or not these support current policy. Does the author have too high standards for intelligence? Not really. While acknowledging that intelligence will always be fallible and inexact, Codevilla expects U.S. policy makers to demand intellectual rigor and honesty from their intelligence community.

Codevilla mainly hopes to inspire serious thinking about reforming the essential business of intelligence, and in this he succeeds admirably; *Informing Statecraft* is one of the wisest books on the subject in many years. R.H.M.



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**Peace and War: Armed Conflicts and International Order, 1648-1989.** By Kalevi J. Holsti. London: Cambridge University Press, 1991. 379 pp. $54.50.

Historians and political scientists debate the causes of war separately, almost always within the confines of their academic disciplines. Very few, like Marc Trachtenberg, make a serious effort to join the two together. Holsti, a political scientist, tries his hand at history and does a creditable job, usefully supplementing a conventionally structured political-science approach to the topic with historical analysis.

He examines the five most significant peace treaties of the last three hundred and fifty years: Osnabrück and Münster in 1648, Utrecht in 1713, Vienna in 1815, Versailles in 1919, and San Francisco in 1945. Holsti concludes that attitudes significantly influenced calculations of the relative risks and benefits of war. He also examines the issue of diplomatic mediation, asserting that mediation has ended wars, but has never succeeded in preventing the next round. To do that means fulfilling eight prerequisites: a system of governance (international order); legitimacy; assimilation of the former enemy within the system; a military deterrent system; conflict-resolving procedures and institutions; consensus on the undesirability of war; procedures for peaceful change; and a set of norms to anticipate future issues.

*Peace and War* will no doubt unnerve ahistorical political scientists, which is all to the good; it will also disappoint those historians who would prefer longer historical narratives. But as a worthy hybrid effort, it has something to teach both kinds of practitioners: models without reality are pointless, data without interpretation cannot teach. A.G.

**The Scientific Study of Peace and War: A Text Reader.** Edited by John A. Vasquez and Marie T. Henehan. New York: Lexington Books, 1992. 480 pp. $14.95 (paper).

Why do leading economic theorists from academia serve in government while theorists of international relations (IR) do not? Why do practioners take the first seriously and the second not? Because international relations theory has produced little that addresses the day-to-day problems of foreign policy officials.

In surveying the IR field, Vasquez and Henehan offer examples of empirical studies of the balance of power, arms races, alliance behavior, and expected utility models of war. Along the way, they provide a commentary, explaining the major issues in the field and how various findings fit together. They also do an admirable job of explaining the statistical analyses frequently used to test hypotheses in IR studies. Alas, when the reader gets to the end, the findings are still too general or too probabilistic to be of much practical use. The bottom line: national security advisors and their staff will have to fly by the seats of their pants for the foreseeable future.

**Stopping the Spread of Nuclear Weapons: The Past and the Prospects.** By David Fischer. New York: Routledge, 1992. 336 pp. $79.50.



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Fischer can rightly claim to be a "professional proliferation controller," having helped draft the original charter of the International Atomic Energy Agency (IAEA) and then spending twenty-five years with that agency. Building on this experience, his study provides a detailed historical account of current non-proliferation treaties and controls. Read in conjunction with Leonard Spector's *Nuclear Ambitions* (Westview Press, 1990), it provides a useful update on the Sword of Damocles.

Fischer notes that originally the proliferation problem seemed to be how to permit the development of nuclear power (thought to be the cheap energy of the future) without permitting countries to develop bombs; now the problem simply seems to be how to prevent countries determined to build atomic bombs from acquiring the requisite technology. This problem is all the more difficult, because many technologies (explosives, computers, nuclear energy) that are key to the development of nuclear weapons also have other, legitimate applications. Fischer offers no dramatic solutions. He recommends reorienting the current non-proliferation regime, which is largely a Soviet-American invention, into one also supported by economic powers (the European Community and Japan). He also recommends — perhaps wishes — that potential new nuclear states like North Korea and "closet" nuclear powers like Israel and Pakistan be brought under broader IAEA controls.

**Teller's War: The Top-Secret Story behind the Star Wars Deception.** By William J. Broad. New York: Simon and Schuster, 1992. 350 pp. $25.00.

After you unleash the power of the sun on earth by inventing the deadliest weapon in the history of mankind, what do you do for an encore? In the case of Edward Teller, writes Broad, you try to find a peaceful application for it. Broad offers this explanation for Teller's attraction to fusion to generate electricity, hydrogen bombs to excavate canals, and x-ray lasers to protect the country. But in the last of these cases, Broad writes, Teller exaggerated. Drawing on interviews and information that emerged years after the first decisions on the Strategic Defense Initiative were made, Broad shows that the initial test results on the feasibility of x-ray lasers were ambiguous; Teller's innate optimism and desire for the ultimate defensive weapon led him to portray the results as favorably as possible. Later tests showed Teller to be wrong.

Broad also attempts to discover what makes the man tick, and draws an insightful portrait. Teller's genius needs an intellectual foil. Once he established his own laboratory, isolated himself as a result of the Oppenheimer affair, and became an idol to conservative politicians, no one could argue with him, and the genius ran amok. Rather than discarding four bad ideas and keeping one great one, Teller promoted them all. Unfortunately, claims Broad, Star Wars was one of the lumps of coal. Broad may exaggerate when he equates the x-ray laser with Star Wars as a whole, but his portrait of Teller as scientist, promoter, and politician makes this book worthwhile.



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INTERNATIONAL ECONOMICS
By Patrick Clawson

**Debt and the Environment: Converging Crises.** By Morris Miller. New York: United Nations Publications, 1991. 347 pp . $19.95 (paper).

Enemies of the market are having more difficulty peddling their snake oil now that Eastern Europe and the former Soviet Union have emphatically rejected command economic systems. Some are focusing on an international order that has left much of the Third World heavily indebted, while others attack markets for producing environmental disaster. Miller, a former U.N. and World Bank official, combines the two approaches, for no apparent reason other than to vent his spleen against free markets. His account is curiously split, one half focusing on the Third World debt crisis, and the other on vaguely defined environmental problems in developing nations. Miller seems to assume the two crises are linked, but he provides little evidence to support this connection.

Miller argues that market forces are incapable of solving either problem, dismissing those market-based approaches (such as debt-equity swaps and debt write-downs) which have already contributed to restoring confidence in Latin American economies. Likewise, he rejects taxes that charge consumers and producers for environmental consequences of their actions (such as a tax on carbon released into the atmosphere). His solution? To spend huge sums of Western taxpayers' money on debt bailouts and clean-up efforts, and happily to accept lower living standards that would reduce consumption of raw materials. True, he avoids advocating socialism outright, but his work is proof that, even when markets have proved the most successful approach to resolving global problems, uncritical hostility to markets continues to haunt the corridors of the U.N.

**Encouraging Democracy: What Role for Conditioned Aid?** By Joan Nelson, with Stephanie Eglinton. Washington, D.C.: Overseas Development Council, 1992. 72 pp. $9.95 (paper).

While claims for foreign aid are multiplying — especially claims from the ex-Soviet bloc and the world environmental movement — so too are suspicions about what aid can accomplish and concerns about wasting the taxpayers' money. For the increasing number of Americans who reject a belief in the economic efficacy of aid, the most important question has become: To what extent can it promote democratic government?

Nelson and Eglinton argue for the active use of aid "with political conditions attached" to promote human rights, urging the elimination of aid to regimes that slaughter their citizens. The authors also advise using conditional aid to improve governance (such as cutting down on corruption) to help achieve economic growth. On the other hand, they advise restraint in using aid to pro-



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mote competitive democracy, which they say is more difficult to achieve and commands less consensus.

Does aid achieve political goals? The authors offer no convincing argument for their thesis that, under some circumstances, conditional aid can contribute appreciably to promoting democracy. On the other hand, they do note circumstances in which aid with political conditions is not likely to be effective even at the limited goal of promoting human rights and deterring slaughter (when a country's relies little on aid), and point out problems that aid creates (making official actions appear externally imposed). Overall, Nelson and Eglinton's account shows the limitations on the use of aid for political ends.

**Mineral Wealth and Economic Development.** Edited by John Tilton. Washington, D.C.: Resources for the Future, 1992. 122 pp. $22.50 (paper).

Of the fifteen low-income countries that rely on exports of non-fuel minerals, thirteen had lower per capita incomes in 1987 than in 1975. Are Third World nationalists correct when they argue that mining development brings no benefit to their countries? Tilton has collected five essays (four of them written for the Olin Lectures at America's leading mining university, the Colorado School of Mines) disputing that conclusion. The authors hold that mining can be a basis for solid growth if Third World states manage national economic policy better.

Marian Radetzki takes on the Third World nationalists' theory that the price of mineral wealth will rise as available supplies decline, implying that mineral wealth is more valuable left in the ground; she demonstrates that this is seldom the case because technological progress often causes the price of minerals to decline. Olivier Bomsel argues that much mineral income is wasted on excessive consumption rather than invested, thus explaining the apparently poor contribution of mineral wealth to economic growth. Theodore Moran shows that mining is uniquely susceptible to nationalization (the high value of the mine is a tempting target), and so the mining industry is right to shy away from investing in Third World countries where property rights are little respected. Philip Daniel establishes that mining can provide a motor for developing the rest of the economy; contrary to what Third World nationalists allege, it need not remain an isolated enclave.

**Protecting Markets: US Policy and the World Grain Trade.** By Ronald T. Libby. Ithaca, New York: Cornell University Press, 1992. 152 pp. $26.50.

One would expect today's vigorous debate about trade policy might inspire scholars avidly to contrast the performance of policies recommended by contending theories. In fact, few analyses have examined the practical effects of mercantilism, the leading theory of political economy opposed to free trade. Mercantilism holds that trade is at times a zero-sum game, and mercantilists therefore support trade restrictions to accomplish strategic goals.



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To test the theory, Libby examines how mercantilist policies functioned in a specific case, namely, the $3.8 billion U.S. program to match the European Community's (EC) subsidies on agricultural exports. The U.S. government used this program, most actively in 1986-88, largely to counter the EC's subsidies for wheat exports. Thanks to those subsidies and protectionism, the EC had gone from importing grain to exporting it, while the U.S. share of world grain exports fell from 52 percent in 1981 to 32 percent in 1986.

Libby demonstrates that, in this case, retaliatory subsidies had some success. The United States increased grain exports, and (more important) the EC agreed to negotiate reforms in agricultural policy, something it had refused for thirty years. Analytically, Libby makes a convincing case that retaliation owed its success to the effects it had on domestic politics in the EC. Specifically, American policy increased the cost of EC agricultural subsidies, inducing those countries that were net payers to the EC budget to insist on reforms that would reduce the spending burden. Libby concludes that mercantilism can be successful at opening up markets when retaliation strengthens the hand of those in the trading-partner country who oppose that country's trade restrictions. More generally, he argues that free-trade theory inadequately considers the political institutions which decide on trade policy. However, Libby does not consider the reverse political process by which tactical violations of free trade strengthen the mercantilist hand at home.

**Reforming Economic Systems in Developing Countries.** Edited by Dwight Perkins and Michael Roemer. Cambridge, Mass.: Harvard Institute for International Development, 1991. 492 pp. $29.95.

The Harvard Institute for International Development has provided policy advice to more than 40 countries and this volume collects some of its best thoughts in fifteen essays. The basic argument accurately reflects the consensus view among development economists: making markets work is vital to development and markets do not work well in most Third World countries. Tyler Biggs and Brian Levy argue that part of the problem results from a lack of competition. Richard Mallon and Joseph Stern show that extensive government regulation forces entrepreneurs to spend as much time manipulating state regulation as they spend running their businesses. Glenn Jenkins's study of tax reform illustrates that the government may use taxes to bring enterprises under its control.

Where lies the solution? The authors disagree. Some recommend removing barriers to free markets; others argue that governments will invariably control markets, so the practical goal must be to have them intervene with less damage. C. Peter Timmer analyzes how the state can manipulate food markets more effectively, while Shantayanan Devarajan and Jeffrey Lewis present price-setting rules designed for use in economies distorted by extensive government intervention. Trouble is, making government intervention more efficient runs the risk of encouraging such intervention, a quandary the authors do not raise.



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THE UNITED STATES
By Kevin J. McNamara

**Buildup: The Politics of Defense in the Reagan Era.** By Daniel Wirls. Ithaca, N.Y.: Cornell University Press, 1992. 247 pp. $31.50.

At a conference in 1983, Wirls tells us, leaders of the nuclear freeze movement decided on their priorities: electing a sympathetic president in 1984, suspension of all funding for nuclear weapons, and delaying the deployment of medium-range missiles in Europe. None of these things happened. But, Wirls notes, "all three [television] networks had correspondents and crews" at the conference.

Such is the narrow meaning that Wirls, active in the peace movement from 1979 to 1986, attaches to politics, and such is his detachment from reality. His concern is chiefly with inside-the-Beltway activity conducted by advocacy organizations and sympathetic congressmen for the benefit of the media. Moreover, Wirls is concerned principally with the left wing of the activist groups he knew first hand. His experiences may also explain why he becomes detached from reality when counting up the peace movement's victories. Left-wing activists, he claims, "made issues of nuclear war and arms control into the political Achilles' heel of the Reagan Administration." He cites the Strategic Defense Initiative as proof of "the very success of the peace movement," even though it was a conservative cause massively opposed by the peace movement. With such reasoning, failure is impossible; but so is success.

**The Disuniting of America: Reflections on a Multicultural Society.** By Arthur M. Schlesinger, Jr. New York: W.W. Norton, 1992. 160 pages. $19.95.

Schlesinger, one of America's best known historians and most redoubtable liberal voices, served on a Regents' Committee in New York State that was charged with "diversifying" the curriculum. In the end, he was the only member of the committee to vote against the proffered report, and the extremely unpleasant experiences he encountered in coming to that point moved him to write this essay: an impassioned defense of the ideal that makes America great, the ideal of the melting pot, with its substructure of values that cherishes individualism, rationalism, and self-reliance. Schlesinger's attack on the contemporary corruption of education, which would turn learning into therapy for self-alienated minority groups, is stinging, irrefutable, and most elegant. He is especially merciless in attacking Afrocentrism, pointing out that if unregenerate racists were to design a plan to hold back Black Americans, they could do no better than the plans proposed by people like Leonard Jeffries and Asa Hilliard.

Schlesinger's eloquence reminds us that there is a great difference between American liberal philosophy and the views of most Americans who today identify themselves as liberals. This is where Schlesinger's critique, however useful, borders on dishonesty. He rails against Afrocentrists and the occasional wacky radical feminist, but, aside from one reference to "radical academ-



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ics," never admits the first and truest source of the multiculturalism plague: the liberals who are his best friends and colleagues. This pecadillo understood, *The Disuniting of America* is must reading for anyone who cares about the future of these United States of America. A.G.

**Driven Patriot.** By Townsend Hoopes and Douglas Brinkley. New York: Alfred A. Knopf, 1992. 587 pp. $30.00.

James Forrestal (1892-1949), the man President Roosevelt put in charge of creating the World War II U.S. Navy — a navy that then drove the Japanese navy from the Pacific Ocean in the first giant step towards U.S. victory over Japan — now has a definitive biography. After World War II, Forrestal planned the unification of the three services, to the satisfaction of President Truman and the U.S. Congress. As the first secretary of defense, he presided over the transition of the services from war to peace. In the process, he made powerful enemies and exhausted the physical and spiritual resources that had served him so well as one of the great leaders of America at war. His friends urged him to retire, after eight years of public service, into a restful, private life. But he thought that, having cobbled the services together, it was his duty to finish the job and hand his successor a Department of Defense not only integrated by law but also purged of service rivalry. Also, he savored power.

His friends were agreed that he no longer had the strength of body and mind needed to stay on top of the hierarchies of the services, and, therefore, he should resign. He stayed on. He lost his base in public opinion and became the target of the vilest press campaign in American history. Distraught, he was put in psychiatric care. The authors are satisfied that he leapt to his death from the 13th floor of the Navy's hospital in Bethesda, Maryland, and that the rumors of foul play, current at the time, were groundless. Long before his physical demise, the assassins of his character had murdered him morally.

The authors have done a superb job of rescuing the memory of this brilliant autodidact and fearless leader of men from the welter of misinformation that dogged him in life and pursued him in death. Theirs is a biographical masterpiece, a gripping story told well. Robert Strausz-Hupé

**Images and Arms Control: Perceptions of the Soviet Union in the Reagan Administration.** By Keith L. Shimko. Ann Arbor: University of Michigan Press, 1991. 275 pp. $37.00.

Occam's Razor warns against multiplying complexity beyond need, yet many young academics willfully violate this excellent advice. Case in point: Shimko, who seeks to prove — as if it needed proving — that the fundamental perceptions of policy makers will affect their judgment in office. Shimko brings to bear on this unremarkable thought a 53-variable model and a form of content analysis, using for his guinea pigs "hardliners" Richard Perle and Caspar Weinberger on the one hand, and "moderates" Paul Nitze and Richard Burt on the other. Lo and behold, Shimko confirms his hypothesis.

Nevertheless, in other applications, Shimko's elaborate model might be



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put to good use. One could apply it to any number of debates about strategic policy over the years, such as the debate over the merits of applying arms control to anti-satellite systems, or the utility of confidence-building measures in conventional arms control. But here it proves nothing. It is impossible to move from verbal statements made in a specific context to rigorous, apodictic inferences about "images" in the head of a decision maker, if only because actors manage impressions according to purpose and audience. Still, Shimko avoids shrill judgments, he writes well, and he clearly understands at a very high level of sophistication the nature of both strategic military logic and bureaucratic dynamics. One awaits his second book with high expectation, hoping for a less pedantic method. A.G.

**Kissinger and Brzezinski: The NSC and the Struggle for Control of U.S. National Security Policy.** By Gerry Argyris Andrianopoulos. New York: St. Martin's Press, 1991. 389 pp. $49.95.

Kissinger and Brzezinski established the archetype for the national security advisor in the 1970s, both developing the persona of the resident guru who directed U.S. foreign policy with as much authority as — possibly even more authority than — the president. Drawing on memoirs, media reports, and official papers, Andrianopoulos constructs a systematic analysis of the philosophical beliefs, political views, operating style, and personalities of the two officials to show that, despite the political differences of the Nixon/Ford and Carter administrations, the NSC advisors were more alike than different, disagreeing more on specific policies than on either managerial style or long-range objectives.

This otherwise useful study, unfortunately, attacks a strawman. Kissinger and Brzezinski were already two of a kind in the minds of most scholars — after all, both were foreign-born, Ivy League professors, and longtime political insiders with a *Realpolitik* approach. For greater interest, Andrianopoulos should have compared McGeorge Bundy and Brzezinski (both Democrats, but with significantly different world views and radically different backgrounds) or Kissinger and John Poindexter (both Republicans, but one a Machiavellian scholar and the other a military cyborg). In other words: interesting answer, but who asked the question? B.B.

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EASTERN AND CENTRAL EUROPE
By Vladimir Tismaneanu

**The Establishment of Communist Rule in Poland, 1943-1948.** By Krystyna Kersten. Berkeley: University of California Press, 1991. 535 pp. $50.00

Drawing from an immense quantity of archive documents, journals, memoirs, and other sources, Kersten provides us with an illuminating analysis



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of the dynamics that led to the foundation of a communist regime in Poland. Her tone is never one of a prosecutor. Her objective is to inform the reader rather than to judge events in a grand scheme of psycho-historical interpretation. She shows, however, how Polish communists (both in Moscow and within the country) abided by Stalin's directives and acted as loyal carriers of the Kremlin's plans. Kersten's colorful narrative captures the inner conflicts of Polish communism, the mounting tensions between Muscovites and leaders within the country, as well as the saga of the anti-communist, underground resistance. Moreover, she reveals the techniques of intrigue, deception, and manipulation that allowed Polish (and other East European) communists to seize power and establish their dictatorship.

**L'évasion silencieuse: Trois mille jours seule dans les prisons roumains.** By Lena Constante. Paris: La Decouverte, 1990. 298 pp. 125 ff.

Lucretiu Patrascanu was a Romanian intellectual, "home" (that is, non-Moscow-schooled) communist, and a Politburo member. Arrested in 1948 on false charges of treason, he was executed in 1954. *L'evasion silencieuse* is the first memoir published outside Romania about this monstrous show-trial, organized by the Bucharest communists against Patrascanu and his associates during the Stalinist purges in Eastern Europe. Although other East European communists found themselves in similar situations (Laszlo Rajk in Hungary, Rudolf Slansky in Czechoslovakia), the Patrascanu case is unique, for Patrascanu refused to confess to the trumped-up crime.

Constante, a painter, was caught up in the case without having the slightest idea why. Apparently, her sole fault was that she was a friend of Patrascanu's wife. For this, she served three thousand days in solitary confinement, an experience that she here describes in minute detail. We learn about her fears, hopes, desperation, and torments. We also learn about the infinite potential for self-regeneration, even under conditions of abject despondency, when all hope seems forbidden. In short, though the book has undeniable documentary value, it reads like a great novel of human survival. It should be translated into English.

**Military Occupation and Diplomacy: Soviet Troops in Romania.** By Sergiu Verona. Durham, North Carolina: Duke University Press, 1992. 211 pp. $34.95.

Verona's rigorously researched investigation of the Soviet military withdrawal from Romania in 1958 contributes importantly to a less-visited aspect of the cold war: the political implications of the Soviet military presence in East-Central Europe. It also adds to our understanding of Soviet relations with satellite countries during the first period of Khrushchevism.

The author focuses on the beginnings of Romania's de-satellization under Gheorghe Gheorghiu-Dej, showing that this development was part of an international equation that included a redefinition of the political and military links between the imperial center and its periphery. But for a Western audi-



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ence, the most interesting parts of the book will probably be those related to Western perceptions of Balkan political games following the resumption of political relations between Moscow and Belgrade in the aftermath of Stalin's death and Moscow's crushing of the Hungarian revolution in 1956. Given the commendable use of declassified American and British documents in this first edition, a second edition of the book would certainly benefit from access to Soviet and Romanian archives. It might also give greater weight to the factious struggles at the top of the Romanian Communist party and on the role of certain Romanian personalities in prompting Khrushchev's decision to withdraw Soviet troops from that country.

**National Ideology Under Socialism: Identity and Cultural Politics in Ceauşescu's Romania.** By Katherine Verdery. Berkeley: University of California Press, 1991. 406 pp. $39.95.

Verdery, a perceptive anthropologist with an enduring interest in Romanian affairs, has written a pathbreaking analysis of nationalism during the second part of Nicolae Ceauşescu's rule (especially after 1980). Her study focuses on the cultural debates between supporters of an ethnocentric-Stalinist vision of Romanian history and society (a group linked to and supported by officialdom) and those who tried to maintain a lucid attitude in times of political and economic decay. Verdery shows that no faction within the Romanian intelligentsia bluntly opposed celebrating the Nation as the pivotal reference point for collective identity. But she also shows that there were partisans of modernity who demurred at the blend of nationalism and communism advocated by the Ceauşescus' minstrels.

The post-Ceauşescu democratic opposition has recruited its champions primarily from among these partisans of modernity. Meanwhile, the ethnocentric Stalinists have aligned themselves within the obstreperous "New Right," nostalgic for fascist militarism and communist authoritarian controls. Thus, Verdery's book is more than a historical or theoretical contribution to the interpretation of nationalism under communism. It offers an excellent guide to Romania's post-communist politics, for it explores deep tensions within a culture that has yet to master its own past.

**The Road To Disillusion: From Critical Marxism to Postcommunism in Eastern Europe.** Edited by Raymond Taras. London: M.E. Sharpe, Inc., 1992. 206 pp. $49.95 ($15.95, paper).

Marxist critiques, ironically, undermined Marxism as an ideology. More exactly, revisionist Marxists had a critical role in toppling the totalitarian regimes in Eastern Europe by sowing the seeds of civil society. How they traveled the road from critique to disillusion, and the impact they had, forms the topic of Taras's excellent collection of essays.

Ferenc Feher points to an evolution in Hungary from an elaborate, critical Marxist articulation of the contradictions and irrationalities of the Stalinist system to a gradual realization of ideological irrelevance. Taras offers a con-



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vincing typology of critical Marxism in Poland, then describes the ideological self-destruction of the opposition. James Satterwhite focuses on questions of philosophy and culture in Czechoslovak society, and admirably highlights the contributions of key revisionists before their utopia was crushed in the Prague Spring. Other chapters show the irrelevance of revisionism in Romania and East Germany. Michael Turner

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RUSSIA AND THE FORMER SOVIET UNION
By Alvin Z. Rubinstein

**Down the Volga: A Journey through Mother Russia in a Time of Troubles.** By Marq de Villiers. New York: Viking, 1991. 317 pp. $22.00.

The Russians call Europe's longest river "Mother Volga," and view it much as Americans view the Mississippi — as the major artery of the country's heartland. On his 2,500-mile journey down the river, de Villiers, editor of the magazine *Toronto Life* and a prize-winning author of a study of apartheid, saw a Russia reminiscent of the eighteenth and nineteenth centuries: rural, poor, backward, suspicious of authority, deeply conservative, and sustained by sly manipulation of the political system, be it the defunct communist system or Gorbachev's perestroika (which was seen in much of the country as a license to steal).

Starting northwest of Moscow, in the lake district of the Valdai Hills (with its more than 1,400 lakes), de Villiers took boats, barges, and ships through the Russian countryside, stopping at such key cities as Tver, Dubna, Yaroslavl, Gorky, Kazan, Ulyanovsk, Volgograd, and Astrakhan. The reader accompanies him through swamps, heavily wooded areas, industrial areas heavy with pollution, and villages whose access to the outside world is primarily the river. Everywhere the economy and standard of living is dreary and without promise, at least by Western standards. For this reason, *Down the Volga* should be read as a complement (and possible corrective) to optimistic reports by Western economists who never venture far into the Russian countryside but who tout the gains of Yeltsin's reforms. In rural areas, de Villiers writes, the people "never needed the collapse of Communist ideology to tell them the system (even in its reformist incarnations) wasn't working — they could see it in every waking hour for themselves, as their lives stretched out into endless, endless monotonous queuing."

**Reaching Out to Moscow: From Confrontation to Cooperation.** By Marshall Brement. New York: Praeger, 1991. 191 pp. $42.95.

The dissolution of the Soviet Union and the end of the cold war have overtaken most of Brement's arguments for improved U.S.-Soviet relations. Still, the author is a foreign service officer who knows the Russian scene well, and his views on how to foster cooperation "in a post-perestroika world" are



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thoughtful, timely, and (in some particulars) even surprising. He believes, for example, that Washington and Moscow "should agree that the use of nuclear, biological, and chemical weapons against anyone would be tantamount to a declaration of war" against the two countries. He also favors Russian-American cooperation to enforce sanctions against rogue nations.

In addition, Brement advocates exchanges "between strategists on both sides, during which not only the military doctrine and plans but also future military production of both sides could be explained." Such a degree of openness would allay security fears, and might be extended to encompass all major and middle-level powers. Of course, much of what Brement suggests depends on how the Yeltsin leadership copes with its attempted shift to a quasi-market economy and more liberal polity.

**Strategy and Power in Russia, 1600-1914.** By William C. Fuller, Jr. New York: The Free Press, 1992. 557 pp. $35.00.

Parallels between the history of late imperial Russia and the Soviet Union are worth noting: the growing sense of technological inferiority, the reluctance to retrench from forward positions for fear of displaying any signs of weakness, and the attempts to restructure the economy and society in order to enhance the military's capability. The last is particularly noteworthy, for much of Russia's history has had a prominent military dimension. An absence of defensible borders led to frequent wars; a quest for security was used to justify a policy of expansion; and an expansionist policy mandated a large military.

Fuller has written an absorbing, richly documented interpretive study of the ways in which tsars employed "force or the threat of force to obtain their political objectives over the roughly three hundred years from the founding of the Romanov dynasty in the early seventeenth century to the outbreak of World War I in 1914." One important theme emerges from this magisterial study: Russia oscillated constantly between reliance on a defensive strategy and on an offensive one.

Focusing on the perennial concern for security, Fuller shows how different tsars responded. For example, Peter the Great, aware of Russia's backwardness relative to Sweden, developed tactical innovations that brought victory more often than defeat. Though context, personality, and capability produced changing perceptions of threat and opportunity, Fuller concludes that Russia's leaders were generally far more confident and ambitious in the seventeenth and eighteenth centuries than in the nineteenth and early twentieth.

**Trotsky, Stalin, and Socialism.** By Robert V. Daniels. Boulder, Colo.: Westview Press, 1991. 208 pp. $41.50.

Daniels offers a timely collection of essays on two subjects: the formation of the Soviet political and economic system, and the forces, ideas, and circumstances that contributed to the Stalinist legacy. Focusing on Trotsky and Stalin as the two dominant figures in the post-Lenin era, he chronicles the early debates and divisions within the Bolshevik party over the meaning and form of



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socialism; traces the roots, achievements, and failures of Stalinism; and, most important, analyzes the transformation of the Bolshevik revolution from a utopian movement to a bureaucratic dictatorship. Daniels makes excellent use of primary source material and with the exception of one essay — which reads like a roll call of Stalin's bureaucratic appointments — the book provides a well-written, well-constructed, and engaging account.

Daniels's analysis of the situation in the early Soviet Union suggests interesting parallels with the current crisis in Russia, in which diverse forces including nationalist and liberal trends are once again struggling to determine the country's future. Michael Turner

**Untying the Afghan Knot: Negotiating Soviet Withdrawal.** By Riaz M. Khan. Durham, N.C.: Duke University Press, 1991. 402 pp. $49.95.

Moscow fought a war in Afghanistan for nine years, during six of which the U.N. secretary-general worked to find a diplomatic solution to the war. A Pakistani diplomat (currently his country's envoy to Kazakhstan) who participated in those negotiations has written a superb study, as authoritative a statement of the effort as we are apt to have for many years. Only an opening of the Russian archives is likely to provide significant additions. Khan discusses the key issues, the main personalities, and various turning points with commendable candor and lucidity.

The author entered the picture because of Pakistan's central role in the negotiating process. With links to all parties — *mujahidin* groups, the Soviets, and the Americans — Pakistan was able to exercise considerable influence on the agenda. Yet Moscow, we learn, became seriously interested in a political settlement only after Gorbachev came to power. In 1982-83, the Kremlin encouraged Pakistan's foreign minister, Yaqub Khan, to think a narrowing of positions had occurred, but Soviet foreign minister Andrei Gromyko then backed away. Once Gorbachev had set his sights on pulling out, however, events moved rapidly, thanks in large measure to the U.N. secretary-general's representative, Diego Cordovez, who merits praise, perhaps even a Nobel Prize, for helping to fashion the 1988 Geneva Accords.

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THE MIDDLE EAST
By Daniel Pipes

**Arabs and Jews in Israel.** Volume 1: **Conflicting and Shared Attitudes in a Divided Society.** Volume 2: **Change and Continuity in Mutual Intolerance.** By Sammy Smooha. Boulder, Colo.: Westview Press, 1989, 1992. 281, 357 pp. $26.50, ($38.50 paper).

The outside world tends to pay so much attention to the PLO and the residents of the West Bank and Gaza Strip, it often forgets the 800,000 or so Arabs living within Israel proper. But Israeli academics often focus on them.



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Smooha, of the University of Haifa, conducted four ambitious surveys between 1976 and 1988, each of which provides extensive data on mutual attitudes between Arabs and Jews.

While his vast array of data lends itself poorly to summary, Smooha draws out key concepts for understanding the behavior of Arabs in Israel: "militancy, not radicalism; opposition, not resistance; acceptance, not rejectionism; integration, not separation; and institutional autonomy, not irredentism." Some survey results stand out: 69 percent of the Jews and 57 percent of the Arabs favored the Egyptian-Israel peace treaty, a remarkably similar set of numbers. Contrary to conventional wisdom, Smooha finds that the percentage of rejectionists among Israeli Arabs dropped by nearly 40 percent between 1976 and 1988. Of Israeli state institutions, Arabs accept medical ones by far the most, followed by the president and the court system.

Though Smooha stays away from advocacy, he does note in the preface that "Israel would consolidate rather than compromise its Jewish-Zionist character by recognizing the Arabs as a Palestinian national minority with full rights." It's hard to argue with that.

**Biographical Dictionary of the Middle East.** By Yaacov Shimoni. New York: Facts on File, 1991. 255 pp. $40.00.

Shimoni surely wins the prize for writing and compiling reference books dealing with Middle Eastern politics. He co-edited the fine *Political Dictionary of the Middle East in the 20th Century* (1972), then wrote the even better *Political Dictionary of the Arab World* (1987; reviewed in *Orbis*, Fall 1991); now we have his excellent *Biographical Dictionary of the Middle East.* The coverage extends from 1900 to the present, from Morocco to Iran, Turkey to the Sudan, with the occasional outsider included as well (T. E. Lawrence, Edward Said).

The closest approximation is Bernard Reich's *Political Leaders of the Contemporary Middle East and North Africa* (1990; reviewed in *Orbis*, Summer 1990), but the volumes hardly compare. Reich relied on many contributors, Shimoni wrote most of the entries himself. Reich offers 70 biographies, almost all of them well-known, Shimoni provides information on some 500 individuals, many of them little-known even to specialists (for example, Tevfiq Aras and Ahmad Muhammad Nu'man). Reich sticks to politics, while Shimoni includes cultural figures as well (Adonis and Nizar Qabbani, to name just two). Reich's contributors stick to the facts, Shimoni concisely sketches characters (Pinhas Lavon, we learn, was "a brilliant brain within a troubled soul"). All this makes the *Biographical Dictionary* the best in the field.

**Democracy and Arab Political Culture.** By Elie Kedourie. Washington, D.C.: Washington Institute for Near East Policy, 1992. 105 pp. $12.95.

As democracy spreads to such unlikely places as Bulgaria and Angola, the Middle East becomes more and more conspicuous as the region left behind. All twenty-one member states of the Arab League, for example, are ruled by



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individuals who reached power without the mandate of their citizens.

Against this backdrop, the late Kedourie ponders democracy's prospects in the Middle East. To begin with, he notes that the region's traditional political culture contained nothing akin to democracy; and that for many years the European political system with the greatest impact on the region was not Anglo-American democracy but Germano-Russian enlightened despotism. Second, he shows that for Arabic-speakers, democracy has meant more than choosing leaders via the ballot: their quest for democracy "has in effect been a quest for constitutional and representative government." The bulk of the book then takes up the four major Arab experiments with democracy: Iraq in the period 1921-38, Syria 1928-49, Lebanon 1926-75, and Egypt 1923-52. (Libya 1951-69 and the Sudan after 1953 get cursory treatment too.)

Concluding that the record of constitutional and representative government in the Arab world was "disappointing, not to say dismal," Kedourie doubts democracy's future prospects: "those who say that democracy is the only remedy for the Arab world disregard a long experience which clearly shows that democracy has been tried in many countries and uniformly failed."

**The Intifada: Causes and Effects.** By Aryeh Shalev. Boulder, Colo.: Westview Press, 1991. 256 pp. $34.95.

Shalev's treatment of the *intifada* falls into a different category from the many general treatments published in recent years, owing to his having been a brigadier general, chief of estimates in the Israeli Defence Forces intelligence, and military commander of the West Bank in 1974-76. He concentrates on organizational aspects of the *intifada* and the attempt to combat it, and is particularly sensitive to the novel threat that the uprising posed to the Israeli military. His approach relies on statistical analysis, for which his background as chief of estimates makes him well suited. He plots changes in IDF tactics against the ensuing level and nature of the violence, drawing conclusions about what worked and what didn't. The book has but a modest political dimension.

The antiseptic tone and statistically based approach might put off those who see a passion play in the *intifada*. The general reader, too, may be unmoved by the ins and outs of military tactics. But Shalev's organizational and military detail tells us a great deal about Palestinian society and its future. He reveals, to cite just one example, that Palestinian labor unions were communist-dominated before the *intifada* but have since been infiltrated by the Democratic Front for the Liberation of Palestine and parts of Fatah. For specialists, Shalev provides a bright light under which to analyze Palestinian society in the territories. A.G.

**The Iran-Iraq War: Chaos in a Vacuum.** By Stephen C. Pelletiere. New York: Praeger, 1992. 167 pp. $42.95.

Pelletiere's writings have won for him the little-disputed title of Saddam Husayn's chief apologist in the United States. He retains that dubious honor in *The Iran-Iraq War.* Saddam threw Ahmad Hasan al-Bakr, his predecessor, out



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of the presidency in 1979, then stripped him of all titles; who other than Pelletiere would characterize Bakr as having been "anxious to step down"? Who else would deny Samir al-Khalil's contention that Saddam rules through fear? Or write about the invasion of Kuwait as though it were a lapse of judgment, "Saddam ought to have had better sense than to invade his neighbor"?

The examples go on and on. Strange logic leads Pelletiere to conclude that the rapid suppression of the southern rebellion in early 1991 means the Iranians, not Iraqi Shi'is, must have organized the uprising. His eccentric reading of Desert Storm permits him to confirm his pre-1991 assessment that the Iraqi army was "professional and of a high caliber."

Pelletiere reads the Iraq-Iran war no less oddly. In place of the conventional understanding of the war's end — that Iraq won through bloody attrition and poison gas — he sees victory resulting from a far-sighted Iraqi strategy and "superior fighting prowess." This, in short, is not the place to find out what happened in that eight-year struggle; of several fine studies, the second volume of Anthony H. Cordesman and Abraham R. Wagner's *Lessons of Modern War* (1990; reviewed in *Orbis*, Fall 1990) stands out.

**Israel and Jordan in the Shadow of War: Functional Ties and Futile Diplomacy in a Small Place.** By Adam Garfinkle. New York: St. Martin's Press, 1992. 230 pp. $39.95.

The subtitle says it all: for more than seventy years, Hashemites and Zionists have dealt with their common claustrophobia reasonably well, usually managing rather than inflating their shared problems. At the same time, though, a variety of constraints — domestic and foreign — prevented these pragmatists from becoming full-fledged peacemakers.

Garfinkle, coordinator of political studies at *Orbis's* parent institute, assiduously chronicles both tracks of the Israeli-Jordanian relationship. His tale, though somewhat uneven in its details, accurately captures the essence of Israel's multi-layered relations with Jordan, and especially with King al-Husayn. These relations range from the mundane (mosquito control) to the stirring (frequent negotiations between each country's top political echelons). Garfinkle does a valuable service by fleshing out the spectrum of near-normal relations between two countries in a state of war; recognizing the Sisyphean struggle to translate those relations into diplomatic breakthrough; and knitting the web of each side's complex relationship with the Palestinians.

Garfinkle's conclusion, useful for putative peacemakers, holds that functionalism and politics are each important in their own right but should not be confused; nothing has changed the fact that, as he rightly notes, "politics is still primary in the Middle East and will remain so." Robert Satloff

**The Jews of Arab Lands in Modern Times.** By Norman A. Stillman. Philadelphia, Penn.: Jewish Publication Society, 5751/1991. 604 pp. $39.95.

Stillman's fine 1979 book, *The Jews of Arab Lands*, provided an authoritative but brief history of Arabic-speaking Jews until 1800, followed by an



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extensive collection of documents. The present volume brings his account up to date, again relying on the formula of short history and profuse documentation. Again, the mix works well; Stillman's two volumes should remain the basic source on their subject for years to come.

The key question Stillman attempts to answer concerns the rapid and nearly complete evacuation of Jews from the Arab countries. In 1948, these numbered 800,000; twenty years later, 98 percent of them had left, mostly to Israel and France, but also to the Americas. The Muslim Middle East, in short, lost its Jewish population about as thoroughly as Central and Eastern Europe had a few years earlier. In part, this emigration had to do with the creation of Israel; but Stillman correctly locates its deeper reasons in the tensions arising from colonialism and modernization, when Jews made the most of the opportunities that opened before them. As the British and French authorities retreated after World War II, Jews found themselves exposed and their status intolerable, so they left too. (This connection was clearest in Algeria, where all but 3,000 of the 140,000 Jews fled contemporaneously with the French colonizers in 1962.) With them ended some two thousand years of history.

**1948 and After: Israel and the Palestinians.** By Benny Morris. New York: Oxford University Press, 1990. 284 pp. $69.00.

*1948 and After* is the sequel to Morris's *Birth of the Palestinian Refugee Problem, 1947-1949* (reviewed in *Orbis*, Summer 1988) and, like that work, it attempts to use archival sources to navigate between the self-serving and emotion-laden myths of both sides to find out what actually happened in the key 1947-49 period. Morris provides new material on Israel's internal debate in 1948 over the Arab problem; a crucial IDF Intelligence Services Analysis of June 1948; Yosef Weitz's role in establishing Israel's opposition to the return of Arab refugees; the initial absorption of the refugees in host Arab countries; and the harvest of 1948 and the refugee problem.

Morris not only writes history but makes it, so it is appropriate that he includes a reflective essay about his writings and their critics. In the process, he criticizes other "new historians," especially Avi Shlaim, thereby distinguishing his scholarly agenda from Shlaim's rather more politicized one. Morris also refutes charges about the methods and conclusions of his work, charges leveled by Shabtai Teveth, the best-known critic of the revisionist school.

Morris may have some of the history wrong, and the contrite politics of some or all of the "new" historians may intrude on their work despite claims to the contrary. But one cannot deny the contribution to scholarship Morris has made. At least now there is a real historical debate. A.G.

**The Origins of the Arab-Israeli Wars.** Second edition. By Ritchie Ovendale. New York: Longman Inc., 1991. 308 pp. $21.50.

First published in 1984, Ovendale's study went through seven printings and now appears in a second, updated edition; clearly, this is a major source of information on the Arab-Israeli conflict. Too bad, for it is an eccentric and bi-



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ased work. (It is also misnamed, being more about the wars themselves than their origins.)

In Ovendale's view, "the Arab-Israeli wars resulted from great, and then superpower, policies." He blames London and Washington most, Paris and Moscow secondarily. He finds U.S. influence everywhere: "It was the United States that fathered Israel." American citizens engaged in "blackmail" to win U.N. support for partition in 1947. This bizarre understanding of the Arab-Israeli conflict leads the author to devote more space to the shaping of American opinion than to military buildups in the Middle East. Missiles, in short, matter to him less than movies.

Indeed, the cinema offers Ovendale an opportunity to showcase other odd views. He cites *The Graduate* (yes, the Dustin Hoffman movie) as proof that Jews had by the 1960s been absorbed into something he calls "American hyphenate culture." Fascinating, to be sure, but what has this to do with the origins of Arab-Israeli wars? In the section on Gamal Abdel Nasser's alienation of Western opinion, he discusses the way movies portrayed homosexuals in Nazi Germany; for some reason, he thinks that the absence of feature films on this subject helped Israel's image in the West vis-à-vis the Arabs. Eccentric may be too mild a term to describe Ovendale's mind.

**The Social Origins of Egyptian Expansionism During the Muhammad 'Ali Period.** By Fred H. Lawson. New York: Columbia University Press, 1992. 215 pp. $40.00.

Why do states use military force to capture and occupy lands beyond their borders? Lawson believes, sensibly enough, that the impetus to expand results from domestic problems. To argue the point, he presents a case study from the early nineteenth century — Muhammad 'Ali's three expansionary campaigns between 1810 and 1835 — hoping thereby to avoid the passions of a contemporary conflict.

So far, so good. Trouble arises when Lawson gets into specifics. He displays the political scientist's usual limitations when it comes to writing history, deriving his information from secondary sources and making the most basic factual mistakes. (The early nineteenth century, he says, was "a period untainted by the distortions of European imperialism.") Worse, he ignores the internal conflicts arising from authoritarianism, ideology, and personal ambition in favor of class conflict and the other preoccupations of theoretical Marxists. Just what a primrose path this leads Lawson down becomes apparent when he applies his ideas to Saddam Husayn's invasion of Iraq: this aggression, we learn, had nothing to do with Saddam's wanting to control the oil market or terrify neighbors, but resulted from the Iraqi privatization program of the 1980s which created a "powerful class of wealthier private interests" that posed a "serious potential challenge" to Saddam's rule! To protect himself from his rich subjects, Saddam invaded. Not for the first or last time, theory (or better yet, what Herman Kahn called "educated incapacity") blinds a specialist to plain and obvious reality.



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**Stalemate: The War of Attrition and Great Power Diplomacy in the Middle East, 1967-1970.** By David A. Korn. Boulder, Colo.: Westview Press, 1992. 326 pp. $36.00.

During the years 1967-1970, the period of Korn's study, he served in the political section of the American embassy in Israel. He kept notes, saved clippings, and resolved one day he would write the history of Egypt's forgotten War of Attrition against Israel. It took twenty years for him to fulfill his resolve, but it's been worth the wait: *Stalemate* is all it could be. Korn rounded out his first-hand experiences by drawing extensively on Hebrew- and Arabic-language written sources and interviewing some one hundred persons who participated in the events he describes. Until the archives on this topic open, his study will remain authoritative. At the same time, Korn writes so compellingly, parts of his account read like popular history. As in the case of Graham E. Fuller's *The "Center of the Universe"* (reviewed in *Orbis*, Spring 1992), *Stalemate* exhibits the virtues of U.S. government analysis, an unjustly deprecated genre.

Korn draws two main conclusions about the War of Attrition. First, it did not appreciably change the diplomatic or military position of either side, and so was "a war without victor or vanquished." Second, the Egyptians and Israelis squandered a real possibility of beginning the peace process in the late 1960s, and so unnecessarily rode the path to war again. Only after thousands more lost their lives in October 1973 did the two sides finally make good their opportunity.

**Wildfire: Grassroots Revolts in Israel in the Post-Socialist Era.** By Sam N. Lehman-Wilzig. Albany: State University of New York Press, 1992. 198 pp. $12.95 (paper).

Recent studies of Israeli political life that emphasize the growth of extra-parliamentary activity tend to adduce a similar cause: the increasingly sclerotic condition of formal political structures do not contain or channel the population's views. Some analysts see the system ultimately accommodating this pressure; others see extra-parliamentary activity sapping the authority of the political structure and undermining its legitimacy.

Lehman-Wilzig's thoughtful, well-researched, well-written, and well-argued work of political sociology contributes to this debate in three ways. First, he takes the trouble to describe why a democracy whose center is characterized by paternalism, socialism, and centrism is particularly prone to attracting revolt, especially in a Jewish political culture Lehman-Wilzig aptly describes as oppositionist. Second, he defines politics more broadly, noting that apolitical acts designed to circumvent law — like illegally laying cable television lines — relates to a general decline in the legitimacy of the formal public order. Third, he distinguishes between the adaptability of the political system (which he thinks does not do so badly) and the implications of Israel's oppositionist culture (about which he is more worried). A.G.



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AFRICA
By Michael Radu

**Apartheid Unravels.** Edited by R. Hunt Davis, Jr. Gainsville: University of Florida Press, 1991. 251 pp. $22.95.

*Apartheid Unravels* rests on the premise that the structures created under apartheid "will cast a long shadow on the future" and will "deeply affect the emerging new social order." From this vantage point, the work views such key aspects of South African society as the security issues, liberalism, White politics, Black Consciousness, the United Democratic Front, ethnicity, and the labor situation. The study also examines a number of regional issues (migrant labor, economics of the southern African region, Mozambique as a case study of regional conflict, and "South Africa's contradictionary regional goals"), thereby placing the country's domestic situation within a wider regional context.

Although *Apartheid Unravels* contains some valuable and well researched information, it does not fulfill its intentions. The large number of contributors, the wide range of topics, and the absence of a final concluding chapter make it little more than a compilation of loosely related essays. Also, the contributors lack balance and objectivity, preferring to highlight the negatives and ignoring the positives (such as the substantial South African aid to neighboring states).

Petrus W. Liebenberg

**Free at Last? U.S. Policy Toward Africa and the End of the Cold War.** By Michael Clough. New York: Council on Foreign Relations, 1992. 158 pp. $14.95 (paper).

Clough offers a small but dense analysis of Washington's policies toward Africa. He provides a rare and useful examination of the formation and evolution of the academic and lobby-oriented Africanists in the United States and their relatively slight impact on African policy.

Unfortunately, by ignoring the fact that virtually all these Africanists (Randall Robinson, Immanuel Wallerstein, Robert Price, and so forth) belong to the Left, Clough misses several important points. Any group so distant from the ideological mainstream is bound to have only a marginal impact on policy. But, to the extent these people did influence policy, they pushed African politicians further down the primrose path of socialism. As a result, the Africanists should expect to have even less influence in the future, in Washington as well as in a rapidly changing Africa.

As for Clough's own hopes and expectations, one wonders why he expects Congress to reject aid to African regimes infringing on human rights (that is to say, the majority of African regimes); why he thinks military aid should go to no government or anti-government force (are democrats and authoritarians to be treated alike?); and why he would deny support for any political party, regardless of the party's goals.



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**Religions of South Africa.** By David Chidester. London: Routledge, 1992. 286 pp. $69.95.

Chidester's topic is essential, unfortunately his book is not. He sees religion not as a set of spiritual and existential beliefs, but as just another potential political force, good or bad, convenient or not, depending upon circumstances.

As for South African religion, Chidester treats it as having followed a simplistic evolution from bad to good, that is, from pro-apartheid to "liberation" theology and local Africanized variants of it. Before the 1940s, he claims quite correctly, blacks tried to obtain freedom and equality in the name of Christianity — Christianity understood as a religion. Ever since, however, the "progressive" churches in South Africa have "worked to conform their religious principles" with the "liberation" idea — that is, with the ideology of the African National Congress and its Marxist-Leninist impulses. If this pretentious book teaches anything, it is how to understand politics disguised as religion, and a religion that has transmuted itself into politics.

One final annoyance: Chidester apparently expects readers to accept as a matter of course that it makes sense to speak of "Black Theology" — as though the notion of a God transcending race were not worth discussing.

**Transition to Democracy: Policy Perspectives 1991.** Edited by Robin Lee and Lawrence Schlemmer. Cape Town: Oxford University Press, 1991. 286 pp. $19.95 (paper).

The years 1989-1990 — the period covered by Lee and Schlemmer — were some of the most eventful in South African history. The government unbanned major opposition groups, while the ruling National Party, under the leadership of F.W. de Klerk embarked on a policy of reform and negotiation. These and other radical changes, not surprisingly, mean that political debate has become vigorous and confusing. The period under review has probably, according to the editors, "produced more documents — draft and final — on major policy issues than any other single comparable period in South Africa's history."

The compilations of contributions by researchers associated with the Centre for Policy Studies at the University of the Witwatersrand, Johannesburg, adds significantly to an understanding of that debate. The chapters cover a wide spectrum of issues: the basis and challenges of transition, the emerging conditions in 1990, the state policy machine, economic challenges facing South Africa, business and public policy, homelands and provinces, the National Party, organization and strategies of the major resistance movements, and urban transition. Owing to the accelerating pace of change and transition in South Africa, these divergent contributions in many respects reflect the situation as it was in 1989-1990 rather than the current position. Petrus W. Liebenberg



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**Understanding Contemporary Africa.** Edited by April A. Gordon and Donald L. Gordon. Boulder, Colo.: Lynne Rienner Publishers, 1992. 341 pp. $45.00.

Africa has been changing so rapidly of late that the Gordons deserve praise simply for living up to their promise of dealing with the contemporary scene. More praiseworthy still, however, is that they fulfill the promise of giving the reader an understanding of Africa. In particular, they explain well Africa's economic, political, and social problems after the decline of communism.

Donald Gordon's chapter on politics goes to the root of the problem — a belief that true independence means the concentration of power in urban, intellectual, anti-capitalist, and anti-western hands. This has led to an authoritarianism hostile to the majority, rural population, whose products have been captured by the state to favor the largely parasitic urbanites. Other urban-based groups, such as the army, took it for granted that they could forever live on the back of the unorganized peasantry. The result was the destruction of the agricultural sector, Africa's main source of income.

Virginia DeLancey's chapter on economics complements these common sense political judgments. Massive industrialization, exploitation of the countryside, central planning, and an incompetent bureaucracy are the reasons for Africa being mankind's basket case.

The authors sometimes pull their punches, as when they treat superficially the colossal waste of the large amounts of foreign aid received by Africa during the past three decades. Sometimes too, they confuse sympathy for Africans with the need for outside aid. But most of the time they are serious, realistic, and relevant. For a field of studies so long plagued by mental smog, *Understanding Contemporary Africa* provides a welcome breath of fresh air.

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ASIA

By Ross H. Munro

**Burma: Insurgency and the Politics of Ethnicity.** By Martin Smith. Atlantic Highlands, New Jersey: Zed Books, 1991. 492 pp. $69.95.

Even Westerners who have been on the ground with Burma's ethnic guerrilla groups tend to be overwhelmed by the complexity of its insurgencies, which have waxed and waned since World War II. Smith, a British journalist, has mastered this history and produced a monumental account, complete with more than 1,000 endnotes covering 52 pages. It should remain the definitive reference book on the topic for many years to come. The contribution by Smith is enormous.



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Still, there is a fault. Smith became so caught up with his objective of compiling the first, accurate, who-what-when-where account of the insurgencies that he neglected the "why" — the analysis and interpretation that tells the reader what it all means. For example, he fails to interpret the activities of the notorious Khun Sa, Burma's Shan-Chinese drug lord, military insurgent leader, and secret partner of Thai and Burmese military leaders. To explain Khun Sa is to explain much of the conflict raging in Burma's vast hinterland, and Smith doesn't.

**The China-Hong Kong Connection: The Key to China's Open Door Policy.** By Yun-wing Sung. New York: Cambridge University Press, 1991. 183 pp. $49.50.

Analysts have generally recognized Hong Kong's important contribution over the past decade to China's export boom and to the rapid development of south China. Even so, they have generally underestimated the contribution. Sung, an internationally recognized economist who teaches in Hong Kong, demonstrates that Hong Kong can actually take much of the credit for China's recent economic takeoff. He describes the various economic roles that Hong Kong plays vis-à-vis China: as chief investor and lender; as end consumer of China's products; as a processor, middleman and facilitator for most — yes, most — of China's exports. China is increasingly dependent on Hong Kong for these entrepôt functions because Hong Kong has developed them to such a high degree of efficiency and sophistication. This explains why a steadily increasing percentage of China's exports are being funnelled through Hong Kong, even though China now has direct commercial and diplomatic links with nearly every country on earth.

Sung's brief book, packed with statistics, is essential reading, not just for those interested in Hong Kong's rapidly evolving economy but also for those studying China's recent export-led boom. Refreshingly, the author has also addressed head-on such issues as corruption, money laundering, and the gross inefficiencies of what he unflinchingly labels as the Stalinist sectors of the Chinese economy. And though Sung places his findings in a theoretical framework, it is one the generalist can easily skip over. The only disappointment is that this book is being overtaken by continuing rapid economic change in Hong Kong and south China. One can only hope that a new updated edition is in the works.

**Foreign Trade and Economic Reform in China, 1978-1991.** By Nicholas R. Lardy. New York: Cambridge University Press, 1992. 197 pp. $44.95.

When Mao died in 1976, the total foreign trade of the "self-reliant" China he helped create was in the neighborhood of a measly $15 billion per year. By 1990, that figure had soared to about $100 billion, and China had become a major player in world trade. Here Lardy examines the interplay between the foreign trade reforms and the domestic economic reforms that made growth possible. Describing China's fragmentary reforms of its trade adminis-



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tration, foreign exchange regulations, and pricing practices, the book reminds us of the many traps awaiting socialist regimes introducing market reforms while trying to retain mechanisms of state control.

Lardy builds his case so well that his main conclusion seems unassailable: China's growth can't continue its rapid pace unless there is "further domestic price reform . . ., a more realistic exchange rate [and] the development of domestic markets for capital and labor." Much of the language in this book is considerably more technical than that sample, and indeed outside the comfort zone of many U.S. Sinologists, of whom Lardy is deservedly one of the most prominent. Apart from that, the only flaw in this book is Lardy's misreading, or serious underestimation, of Hong Kong's key role in China's export boom — the antidote for which is Yun-wing Sung's book, reviewed above.

**Pacific Century: The Emergence of Modern Pacific Asia.** By Mark Borthwick. Boulder, Colo.: Westview Press, 1992. 590 pp. $54.95 ($24.95, paper).

Although publication of *Pacific Century* is not a scholarly event, Asia specialists concerned with introducing their region to a broad audience should familiarize themselves with the work. That's because "Pacific Century" is also the title of the book's electronic companion — an ambitious, college-level television course premiering on PBS this fall. The two aim to introduce the educated layman to the last 150 years of East Asian history, broadly defined as ranging from Siberia to Indonesia. As a companion to the television series, *Pacific Century* is appropriately a cousin of the customized collections of readings that college teachers increasingly assign as their courses' main texts. Borthwick's narrative is larded with boxed passages from historical records, excerpts from scores of books and thoughtful, original essays, as well as a plethora of charts, maps, tables, and checklists. Its overall appearance occasionally suggests that the book was designed by newsmagazine editors; that is a compliment.

This is the ideal book for an Asianist to recommend to, say, an undergraduate with a strong but unfocused interest in East Asia. With this survey and sampler, a person can painlessly test the waters of Asian studies before concentrating on a particular nation, region, or theme. Inevitably, the book exhibits contemporary sensibilities — reflecting both Western and Asian perceptions of the imperialist era and carefully noting women's issues — but it does not succumb to the extremes of political correctness. The only shortcoming worth noting is that the lists of suggested additional readings, an essential feature of a book such as this, appear to have been hastily assembled. They will not be particularly useful for the target audience of this multi-media production.

**Trade with Japan: Has the Door Opened Wider?** Edited By Paul Krugman. Chicago, Ill.: National Bureau of Economic Research, 1992. 340 pp. $50.00.

Are Japan's markets really closed? America's pre-eminent economic research organization, the National Bureau of Economic Research, held a con-



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ference in 1989 to find out. The resulting ten essays in *Trade with Japan* — accessible, filled with first-rate information and stimulating analysis — argue that Japan is different. The implication is that government and business in Japan do not take steps to block imports, but the nature of the Japanese business practice leads to a different trading pattern.

Economic institutions in Japan differ from their Western counterparts in everything from the pricing behavior of exporters to the role of banks. At the same time, the Japanese way is often just as economically efficient as the West's. For instance, because Japan has many more stores per capita than Western countries, foreigners conclude that Japan's distribution system is economically inefficient. Takatohsi Ito and Masayhoshi Maruyama show the efficiency of the Japanese distribution system (it requires less labor per thousand population than the U.S. system, and there is a lower margin between producer cost and consumer price). While the Japanese methods make economic sense, however, they do make it difficult for outsiders, including foreigners, to break in. Japanese methods are evolving in a way that makes entry easier, which will benefit all outsiders. To continue the title's analogy, the door is not locked but closed, and it has a different kind of latch than U.S. doors. P.C.

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LATIN AMERICA
By Michael Radu

**The Dependency Movement: Scholarship and Politics in Development Studies.** By Robert A. Packenham. Cambridge, Mass.: Harvard University Press, 1992. 362 pp. $42.50.

*The Dependency Movement* is a careful, reasoned critique of the literature on "dependency" — a blend of Marxism and nationalism — which now dominates Latin American studies, and influences many other areas of comparative politics.

The author finds that most dependency writings are unrigorous — that is, they do not admit of falsification. Also, they are prone to shifting definitions. ("Dependency" turns out to mean not so much "subordination" to the United States or the capitalist West but absence of socialism; so the Cubans were never "dependent" on the Soviet Union). Packenham then provides a troubling look at the politicization, group-think, and enforced conformity that now pervades Latin American studies. The fusion of scholarship and "political struggle," he concludes, constitutes a problem "which must be addressed if the impasse" in developmental studies "is to be broken."

Though the book demands careful, attentive reading, it is by turns stimulating, informative, and provocative. It may well be the most important contribution to Latin American literature in many years. Mark Falcoff



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**The Foreign Policy of Peru.** By Ronald Bruce St. John. Boulder, Colo.: Lynne Rienner Publishers, 1992. 269 pp. $40.00.

St. John argues in this excellent study that Peru's diplomatic history has been dominated by a persistent, unrealistic goal to establish borders compatible with its nationalist ambitions, rather than actual political and military capabilities. For the most part, that has meant denying Ecuador access to the Amazon and trying to recover southern areas lost to Chile during the War of the Pacific (1879-1885). A secondary theme concerns the United States: Lima has long oscillated between treating Washington as savior and enemy.

In the end the author correctly draws the conclusion that Peru has consistently exaggerated both its own importance for the United States and Washington's ability to mediate in Lima's conflicts with its neighbors. Furthermore, despite the ability of its diplomats, Peru has never succeeded in establishing effective regional alliances to counter Chile, its historic nemesis.

The author's interest wanes sharply when it comes to recent developments. He devotes a mere ten pages to Peru's diplomacy since the democratic restoration of 1980. A good case can be made that the post-1980 period is the most interesting, diverse, and challenging in Peru's history, given the fairly conservative government of Fernando Belaunde (1980-1985), the demagogic populist regime of Alan Garcia (1985-1990), and the present, pragmatic government of Alberto Fujimori.

**Leaders, Leadership, and U.S. Policy in Latin America.** By Michael J. Kryzanek. Boulder, Colo.: Westview Press, 1992. 249 pp. $45.00.

The importance of the leader has perhaps been the defining characteristic of Latin American politics from independence to the present day. Kryzanek offers a useful typology of Latin American leaders — conquistadors, liberators, caudillos, reformers, modernizers, authoritarians, democrats, and revolutionaries.

However excellent the main idea, its execution is flawed. Kryzanek sometimes picks the right individuals to dwell on in his case studies (Fidel Castro, Antonio Noriega, and Daniel Ortega as examples of authoritarian leaders) and does a good job in describing them, both as personalities and as types. Others are unrepresentative, even misrepresented. As nontotalitarian leaders, why pick Carlos Andres Perez of Venezuela, Violeta Chamorro of Nicaragua, and the two Colombian presidents Virgilio Barco Vargas and Cesar Gaviria Trujillo? Far better would have been Romulo Betancourt of Venezuela and Eduardo Frei of Chile, men who changed their parties' and their countries' outlooks. Furthermore, the author accepts some common wisdom that just isn't so, for example, casting president Alfredo Cristiani of El Salvador as an impotent puppet of the military, when in fact Cristiani became the puppeteer soon after his election.



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**The Patient Impatience: From Boyhood to Guerrilla: A Personal Narrative of Nicaragua's Struggle for Liberation.** By Tomas Borge. East Haven, Conn.: Curbstone Press, 1992. 468 pp. $24.95.

Though he served as interior minister and secret police boss during the Sandinista National Liberation Front's years in power (1979-1990), when he was the most feared man in Nicaragua, Borge has undoubted literary talents. Some of the chapters in this autobiography, particularly those dealing with his adolescent and student years, are poetic and touching. But Borge is a dogmatic Leninist, and this too comes through. The duality emerges time and again in the memoir, in style and sentiment alike. His native Matagalpa at night is "a luminous fish" — but its claim to glory lies in its being "the city of Carlos Fonseca," the FSLN founder.

When Borge the poet and Borge the apparatchik conflict, the latter always prevails, allowing the former no shades of gray. Revolutionaries are paragons of perfection; their enemies are monsters. Sandino was a saint, Yankees are evil. The guerrillas are always heroic, the military bad. Also, Borge reveals nothing new about the history of the FSLN, content as he is with repeating the official party line, papering over the nasty internecine fights among Sandinistas. We learn nothing about the role of Cuba in supporting and abetting the FSLN, or the impact of non-Marxist anti-Somoza forces, or Borge's own role as a faction leader.

**Peru under Fire: Human Rights since the Return to Democracy.** By Americas Watch. New Haven, Conn.: Yale University Press, 1992. 169 pp. $23.50.

Americas Watch is a self-proclaimed human rights organization, with an exclusive interest in monitoring those (poorly defined) rights in Latin America. This volume indicates the many vices and few virtues that it brings to the task. The trouble is, *Peru under Fire* considers human rights in an abstract, unrealistic manner, with little if any concern for the main human rights issue in Peru — the right to live when under attack by ideological murderers claiming to be representatives of the people. The book treats Peru as just any state south of Rio Grande. As a result, it does little to enlighten the reader concerned about the human rights situation in Peru.

For example, the organization doesn't think much of the Peruvian government's decision to arm civilians against insurgent terrorists. It describes the civilian patrols ("rondas") as mostly the result of government pressure — and hence "violations of human rights." That's wrong: most are spontaneous, locally based, and effective in controlling terrorism, though inevitably some freelancing does exists.

Only twenty pages are dedicated to human-rights violations by the country's insurgencies. That's a welcome break with previous publications of Americas Watch, which dealt only with government violations, but it hardly suffices given the barbarism of the Shining Path and the drug traffickers.



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**The Russians Aren't Coming: New Soviet Policy in Latin America.** Edited by Wayne S. Smith. Boulder, Colo.: Lynne Rienner Publishers, 1992. 196 pp. $25.00.

Contributors to *The Russians Aren't Coming* include Cuban propagandists and their Soviet counterparts, the latter now posing as scholars. They make the volume more interesting as a political document than as an analysis of Soviet activities in Latin America.

The writings of Karen Brutents once had a near-sacred status among pro-Soviet regimes from Congo to Grenada; now he notes that Soviet ideological formulas and Third World realities did not have much in common. He has discovered, for example, that drugs and ecology are issues of great importance to Latin America. Still, even now, he writes about "neo-liberalism" as something imposed on helpless Latins by evil transnational corporations. He also states, apparently without irony, that "The Soviet Union has never been and could not have been the 'parent' of any political movements or parties in Latin America." In a brief chapter, former Soviet dissident Ilya Prizel devastatingly critiques Brutents.

Cuban contributors break even less with old slogans. Julio Carranza Valdes states that Havana is encouraging negotiations in Central America, with a view to achieving "social stability." Estervino Montesino Segui, in an analysis of Cuban-Soviet ties, proclaims that they are and always have been "mutually advantageous," but complains about Soviet freedom of the press which has resulted in "a proliferation of unobjective judgments" concerning these ties.

In the end, ex-Soviet and Cuban contributors both seem to realize the world has changed, and they show puzzlement as to what they can do about it. Nothing, one hopes.



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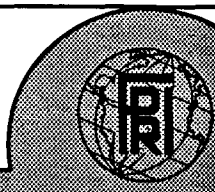

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